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LIFE ASSURANCE

FROM PROPOSAL TO POLICY

BY

H. HOSKING TAYLER

FELLOW OF THE INSTITUTE OF ACTUARIES

AND

VICTOR W. TYLER

FELLOW OF THE INSTITUTE OF ACTUARIES

FIFTH EDITION

BY

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FELLOW OF THE INSTITUTE OF ACTUARIES

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PREFACE TO FIFTH EDITION

IN the preparation of the revised editions of this book I have endeavoured, whilst bringing the subject-matter up to date, to adhere as closely as possible to the original text, which has, in fact, required little alteration. A few fresh sections have been introduced dealing with recent developments in life assurance practice.

It seems to be the modern tendency to depart still farther than in the past from uniformity of practice. The points mentioned in the last paragraph of the Preface to the original edition apply, therefore, with even greater force than when they were originally set down.

H. N. F.

PREFACE TO FIRST EDITION

IN the present work, as the title indicates, no attempt has been made to deal comprehensively with the whole subject of life assurance. At the request of the Insurance Institute of London, we undertook to deliver courses of lectures covering certain sections of the examination syllabus of the Chartered Insurance Institute, and these pages have been written with the object of rendering the substance of those lectures accessible to a wider circle of students and to others who may be interested.

The reason which prompted us to enter the field of authorship was the lack of any textbook dealing at all adequately with our subject. On this account difficulty was experienced by us in our efforts to assist students, and it is hoped that this attempt to repair a deficiency in life assurance literature will be found useful by those

to whom the information it affords would not otherwise be readily available.

In life assurance practice there is little uniformity, and one of the main difficulties in the preparation of this book has been that to almost every practice or procedure described it is possible to cite exceptions in the case of individual offices or groups of offices. It is neither possible nor desirable to indicate these exceptions in detail. It must be left to the reader to compare the suggestions in these pages with the practice of particular offices with which he may be familiar and to form his own judgment upon their merits.

H. H. T.

V. W. T.

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LIFE ASSURANCE

FROM PROPOSAL TO POLICY

CHAPTER I

INTRODUCTORY

LIFE assurance at the present time is a complex system, having as its basis the payment by assurance offices and underwriters of specified sums of money upon the happening of contingencies depending upon human life in return for relatively small amounts (called "premiums") received in the meantime. The documents evidencing these contracts are known as "policies."

Early Legislation

The actual origin of life assurance is hidden in the mists of antiquity. Life assurance policies are known to have been granted, however, during the reign of Queen Elizabeth. These early contracts took the form of temporary assurances covering the life assured for a period of one year; they were issued by private individuals known as underwriters, and it was not until early in the eighteenth century that societies began to be formed with the object of granting life assurances. As life assurance became better known a practice grew up of speculating in lives; the lives of well-known people were assured for short periods, the premiums varying with their reputed state of health. In order to put an end to this speculation, with its attendant evils, an Act called the "Life Assurance Act," commonly known, however, as the "Gambling Act," was passed in 1774, which rendered it illegal to effect an assurance upon a life unless the person taking out the policy had a pecuniary interest in the life assured. The position of a wife with regard to her husband was subsequently regulated by the Married Women's Property Acts, 1870 and 1882, and by the Married

Women's Policies of Assurance (Scotland) Act, 1880. During the early years of the nineteenth century large numbers of life assurance companies were formed and somewhat later, owing to the difficulty experienced by a considerable proportion of these offices in continuing business, many amalgamations took place. Very often these amalgamations were carried out in a most incautious manner and this, together with bad management, caused the failure of several large companies. These failures led to the passing, in 1870, of the Life Assurance Companies Act, which had for its object the prevention of unsound amalgamations and the safeguarding of intending assurers, not by controlling the companies in any way, but by compelling them to publish certain specified information which would be sufficient to enable any competent person to form a reliable estimate as to their financial stability. Further Acts were passed in 1871 and 1872. This legislation was repealed by the Assurance Companies Act, 1909, which applies not to life assurance companies only but to assurance companies and underwriters transacting all or any of the following classes of business—

- (a) Life assurance.
- (b) Fire insurance.
- (c) Accident insurance.
- (d) Employers' liability insurance.
- (e) Bond investment insurance.

Definition of Life Assurance Business

A definition of life assurance business is given in the Act, and extracts from the appropriate sections are given below—

SECTION 1. This Act shall apply to all persons or bodies of persons, whether corporate or unincorporate, not being registered under the Acts relating to friendly societies or to trade unions (which persons or bodies of persons are hereinafter referred to as assurance companies), whether established before or after the commencement of this Act and whether established within or without the United Kingdom, who carry on within the United Kingdom assurance business of all or any of the following classes—

(a) Life assurance business ; that is to say, the issue of, or the undertaking of liability under, policies of assurance upon human life, or the granting of annuities upon human life.

SECTION 30. Where a company carries on life assurance business, this Act shall apply with respect to that business, subject to the following modifications—

(a) "Policy on human life" shall mean any instrument by which the payment of money is assured on death (except death by accident only) or the happening of any contingency dependent on human life, or any instrument evidencing a contract which is subject to payment of premiums for a term dependent on human life ;

(b) Where the company grant annuities upon human life "policy" shall include the instrument evidencing the contract to pay such an annuity, and "policy-holder" includes "annuitant."

The foregoing definition is very broad. It should be noted, however, that a class of contract granted by many life assurance companies, and known variously as sinking fund, capital redemption, and leasehold policies, does not come within its scope. This kind of policy provides that in return either for a single premium, or for periodical premiums, a cash payment shall be made by the office on a specified date. Although a company granting only this class of policy would not come under the Act, it is provided in the schedules appended thereto that, where sinking fund or capital redemption business is carried on by a company transacting life assurance business, then certain specified information very similar to that furnished in connection with life policies shall be given to the Board of Trade.

"Ordinary" and "Industrial" Branches

Life assurance business is divided into two great branches, "ordinary" and "industrial." Policies of the former class are usually for sums assured of £100 and over, whilst those of the latter, as the name implies, are generally for small amounts, subject to weekly or lunar monthly premiums. Legislation specifically affecting industrial assurance companies was passed in 1896, and the law has been consolidated and amended by the Industrial Assurance Act, 1923. Included in this Act is the following definition—

SECTION 1, SUB-SECTION (2). For the purposes of this Act "industrial assurance business" means the business of effecting assurances upon human life premiums in respect of which are received by means of collectors.

Provided that such business shall not include—

(a) Assurances the premiums in respect of which are payable at intervals of two months or more ;

(b) Assurances effected, whether before or after the passing of this Act, by a society or company established before the date of the passing of this Act which at that date had no assurances outstanding the

premiums on which were payable at intervals of less than one month so long as the society or company continues not to effect any such assurances ;

(c) Assurances effected before the passing of this Act, premiums in respect of which are payable at intervals of one month or upwards, and which have up to the commencement of this Act been treated as part of the business transacted by a branch other than the industrial branch of the society or company ;

(d) Assurances for twenty-five pounds or upwards effected after the passing of this Act, premiums in respect of which are payable at intervals of one month or upwards, and which are treated as part of the business transacted by a branch other than the industrial branch of the society or company, in cases where the Commissioner hereinafter mentioned certifies that the terms and conditions of such assurances are on the whole not less favourable to the assured than those imposed by this Act.

The underlying principles in the two classes of business are identical, but important differences appear in the practical conduct of industrial assurance business. In the following chapters we shall deal with ordinary life assurance and leave to a later chapter a discussion of the principal features of industrial assurance.

The Principles of Life Assurance

The fundamental principle underlying life assurance is simple. Although an individual cannot foretell the date of his death, yet it is possible for an assurance company, by the aid of an instrument called a "Table of Mortality," to estimate with something approaching to accuracy the number of persons out of those it assures who will die year by year. A mortality table contains three essential columns—

(a) The age.

(b) The number of persons living at the commencement of the year of age.

(c) The number of persons dying during the year of age.

The result of dividing the figure appearing in column (c) by the corresponding figure in column (b) will give what is known as the rate of mortality for the age in question. Without going into any great detail, it may be explained that mortality tables based upon the experience of Life Offices may be divided into two sections: (a) select tables, and (b) aggregate tables. When a person wishes to effect an assurance on his life, the office either has him medically examined or else puts to him a very searching set of questions,

with the object of ascertaining if he is physically fit. This process of weeding out inferior lives is known technically as "selection," and tables showing the subsequent mortality of lives, according to the time passed since the "selection" took place, are known as "select" tables. "Aggregate" tables, on the other hand, show the mortality experienced by the general body of assured lives irrespective of the period passed since the date of "selection." The principal mortality table used by British Life Offices at the present time is the "Mortality of Assured Lives, 1924-1929" ($A_{1924-29}$). It was published only in "select" form and was compiled from the experience of lives assured with British Life Offices during the period 1924 to 1929. It will be appreciated that different offices draw their lives assured from different sections of the community whose mortality experience may differ considerably. When constructing the $A_{1924-29}$ table it was noticed that, although the experience of the majority of contributing offices did not differ very widely from the average, two small groups existed, one of which experienced a distinctly higher rate than the average, while the other experienced a definitely lower one. Tables were constructed based upon the experience of each of these two groups called " $A_{1924-29}$ Heavy" and " $A_{1924-29}$ Light." Before deciding to adopt a particular table it is essential to be satisfied that it is appropriate, bearing in mind the circumstances involved in the individual case.

The other tables still largely used by British Life Offices are the "British Offices Life Tables, 1893" (O^M). They were compiled from the experience of British Offices with regard to lives assured during the period 1863 to 1893, and both "select" and "aggregate" tables were published.

To illustrate the principle underlying life assurance let us assume that a fund is formed consisting of the premiums paid by, say, 1,000 "select" lives aged 20 next birthday. According to the $A_{1924-29}$ Table an annual premium of about £5 payable during life, should be sufficient to enable £500 to be paid out of the fund at each death. Now it is quite certain that all these lives will not die at the same time: some will die early, others will live long; but, taking one with the other, the premiums accumulated with interest should be sufficient to meet all the claims. In other words, the amounts paid to the representatives of those who die early are made

good out of the contributions of those who live long. This is the fundamental principle underlying the whole system of life assurance.

In the example given in the preceding paragraph it will be noted that a level premium is payable throughout the whole of life. If we consider for a moment the $A_{1924-29}$ Table, an extract from which is given below, we shall see that the rate of mortality increases with the age. In other words, the chance of a person surviving to the end of a year of age diminishes very considerably as he gets older. At age 20 on an average 230 persons out of 98,026 entering on the year will die during the year, the rate of mortality being $\cdot 00235$. If one neglects interest and the loading for expenses and profit, the rate of mortality becomes the premium for a temporary assurance of £1 for one year. If each of the 98,026 persons appearing in the table against age 20 were to pay at the commencement of the year a premium of 4s. 9d. the total fund of approximately £23,000 thus formed would provide £100 to be paid to the representatives of each of the 230 persons who, according to the table, will die during the year. It will be noticed that at age 40 the rate of mortality has increased to $\cdot 00348$, which would mean a premium of 7s. 0d. per cent for a one-year term assurance.

$A_{1924-29}$ TABLE (ULTIMATE)

Year of age.	Number of persons living at commencement of the year of age.	Number of persons dying during the year of age.	Rate of Mortality.
20	98,026	230	$\cdot 00235$
30	95,742	231	$\cdot 00241$
40	93,013	361	$\cdot 00388$
50	88,243	674	$\cdot 00764$
60	78,269	1,544	$\cdot 01973$
70	56,609	3,016	$\cdot 05327$
80	23,658	3,054	$\cdot 12910$
90	3,128	801	$\cdot 25611$
100	55	23	$\cdot 42960$

If the table is examined age by age it will be apparent that, if a person kept on effecting temporary assurances each year, the premiums that he would have to pay would be constantly increasing until at age 90 the premium would have reached the almost prohibitive figure of £25 12s. 3d. per cent. In theory, there is no reason why assurances should not, be granted in this way, subject

to increasing premiums, in which case there would be no necessity to accumulate any funds beyond a small margin for contingencies, as the premiums paid during any year should be sufficient to meet all the claims occurring in the same period. Many attempts have been made to carry on societies on a basis similar to this, known as the "assessment" principle, but owing to the inherent defects of the system they have invariably come to grief. Societies run on the "assessment" system accumulate no funds apart from a small reserve for contingencies and expenses, but make levies upon the members each year sufficient to pay the claims falling due in that year. These societies are usually started with a nucleus of young members, who are generally medically examined before admission, inferior lives being refused entry. As a result, for a time deaths are very infrequent, the levies are small, and consequently no difficulty is experienced in inducing new members to join. As years pass, however, unless sufficient new members can be obtained to keep the average age constant, it is inevitable that the proportion of claims will increase. The experience of all societies founded on this basis in England, and the majority of those in America, has been that it is impossible to obtain enough new members to keep the proportion of healthy lives up to its original figure, the consequence being in all cases that, after the first few prosperous years have passed, the rate of mortality has shown an increase. This increase has been progressively maintained until the annual levies have become so large that not only have intending assurers been deterred from joining, but existing members with unimpaired health have been induced to allow their policies to lapse and to effect assurances elsewhere on a cheaper basis. These lapses, coupled with the increasing rate of mortality, have made the calls on the remaining members, mostly in inferior health and advanced in years, prohibitive, with the result that the schemes have ended in failure.

In the foregoing paragraph it has been shown that for an assurance company to carry on business indefinitely it must issue policies at uniform premiums, these premiums being more than sufficient to cover the risk during the earlier years, but insufficient to meet the current risk during the later years. The excess of the premiums paid over the sum actually required to meet the risk,

and provide for current expenses and profit, is accumulated at compound interest year by year, forming a fund which is utilized to counteract the inadequacy of the premiums as the life gets older. This accumulated fund is known as the "reserve." These reserves in the case of the larger life assurance offices amount to many millions of pounds.

Surrender Value

If after a policy has been in force for two or three years the assured wishes to stop paying premiums and to have his contract cancelled, the assurance company is usually willing to pay to him a part of the reserve that it has accumulated against the policy.

The amount thus allowed is known as the "surrender value." The surrender value varies, of course, with the class of policy; during the early years it is usually considerably less than the amount of the premiums paid, the value increasing, however, with the duration of the policy until in some cases, after the assurance has been in force for a long period or is nearing the date of maturity, the surrender value may even exceed the premiums paid.

As an alternative to the surrender of a policy it is usually possible to have it converted into a "paid-up policy," i.e. an assurance for a reduced amount free from the payment of future premiums.

There is a tendency at the present time for companies to guarantee minimum surrender values and paid-up policy values, some offices going even further than this, in the case of certain classes of assurance, by endorsing upon the policy the actual surrender values and paid-up policy values which will apply from time to time during its currency.

Special points with regard to surrender values and paid-up policies calling for comment will be mentioned in the later chapters dealing with the various classes of assurance in detail.

Loans

Assurance companies will usually grant loans upon security of their policies for amounts slightly less than the surrender values, provided of course that the policy holder is in the position to give a first charge upon the policy. The rate of interest on such loans

usually equal to or somewhat less than the prevailing rate for mortgages upon first-class securities.

Payment of Premiums

It is the practice of life assurance companies to quote annual premiums in their prospectuses, the premiums for assurances being arranged, in most cases, according to age next birthday. As the actual rates are calculated upon the basis of exact ages, it will be seen that in quoting the premiums in this way the offices retain a small margin of profit. Upon the same principle the purchase price for annuities is usually shown according to the age last birthday.

Although premiums are usually payable annually in advance, an office will almost always accept premiums half-yearly, quarterly, or even monthly, or in any way that the policy holder wishes, provided of course that it receives the amount necessary to meet the risk and to compensate it for any extra trouble involved. When an office receives a premium half-yearly or quarterly instead of annually it stands to lose a portion of the premium for the year in which the death occurs. Take, for example, a policy subject to quarterly premiums; if the life assured die in the first quarter of an assurance year, the office will lose three-quarters of the annual premium, similarly if death occur during the second quarter, the office will lose one-half of the annual premium, and in the event of death during the third quarter, one-quarter of the annual premium will remain unpaid. Should, however, the life assured survive to the fourth quarter of the year and then die, the office will have received the whole of the annual premium. For this extra risk and for the cost of collecting premiums more frequently the assured is usually charged an addition of 5 per cent of the annual premium. Similarly, a half-yearly premium is usually equal to one-half of the corresponding annual premium, increased by $2\frac{1}{2}$ or 3 per cent. These reasons are more than sufficient to cover the additional risk and the increased cost of collection in the case of policies effected on young lives, but owing to the higher rate of mortality prevailing at older ages they are inadequate in the case of persons living at ages of, say, 65 and over. Consequently, it is the

practice of many offices not only to charge the foregoing increases for the privilege of paying premiums half-yearly, or quarterly, in the case of lives assuring at advanced ages, but also to incorporate in the policy a clause providing that any instalments of the current year's premium outstanding at the date of death shall be deducted from the sum assured. A similar clause is usually incorporated where the premiums are payable monthly, while the additional expenses of collection are reduced by stipulating that payments must be made by a Banker's Order. As a result it is generally only found necessary to impose an addition of $2\frac{1}{2}$ per cent of the annual premium in monthly cases, indeed in some instances no addition whatever is made.

Occasionally a policy is effected at a single premium and more often an assurance is issued subject to a limited number of premiums. If the premiums are thus payable in a lump sum or spread over a comparatively short period, it is apparent that especially in the earlier years the office is actually at risk for a smaller sum than in a normal case where the premiums are payable throughout the whole duration of the contract. The single or limited premium is calculated on a basis which gives the assured due advantage for the fact that the office runs a smaller risk and at the same time derives a larger sum in interest on the reserve.

Principles of Reassurance

Reverting for a moment to the extract from the $A_{1924-29}$ Table, given on page 6, and to the succeeding paragraph, we see that if 98,026 people aged 20 insured their lives for £100 each at a premium of 4s. 9d., the number of deaths expected according to the table would be 230, and that the total premiums paid, amounting to approximately £23,000, would be sufficient to provide £100 in respect of each death. In this case it does not matter which of the lives die since all are insured for the same amount. Supposing, however, that one person were insured for £10,000 and the remainder for £100 each, the office would receive the following premiums—

1 person insured for £10,000 at	4s. 9d. %	Premium	£ 24
98,025 persons " " £100 each at	4s. 9d. %	"	23,281
Total Premiums received			<u>£23,305</u>

Now if 230 members insured for £100 died, the fund would have to pay £23,000 and there would be a surplus of £305. If, on the other hand, the person insured for £10,000 died and 229 others, then the fund would be liable to pay £32,900, and would become insolvent, the reason being that the single large policy destroyed the average and there would be no source from which to recoup the loss. This serves to show that even though the office experience exactly the number of deaths that it expected it may be exposed to loss if these deaths occur among lives assured for more than the average sum. Similarly losses may arise from the general mortality being unfavourable or from the deaths occurring among recently effected policies where the amount at risk is large. The premiums charged in practice include a margin to meet such contingencies, and when the losses do not emerge these margins are accumulated in the general reserves and provide a fund for use when needed. An office is not therefore under any necessity to see that policies of any given amount are sufficiently numerous to form an average by themselves; but in deciding the maximum sum assured for which it will assume liability on any one life, it will have regard to the sufficiency of its contingency reserves to meet the loss if it arises, without leaving inadequate reserves for the remaining policies.

Reassurance Practice

These considerations give rise to the general practice of offices to reassure with other companies portions of any very large assurances placed with them. The maximum amounts which the large life offices retain at their own risk vary considerably, but probably an average figure would not be far from £10,000. This principle of reassurance has been recognized by assurance offices for a considerable period, and at the present time many of them subscribe voluntarily to certain rules regulating the placing and accepting of reassurance business. These rules are given below by permission—

The office placing the reassurance risk is hereinafter termed the "Principal Office," and the office to which the reassurance risk is offered the "Guaranteeing Office."

Unless in any particular case a contrary intention shall appear in the reassurance contract, the term "Original Assurance" shall be

held to include all assurances of similar nature and for the same term, issued concurrently by the Principal Office on the same risk, and the term "Original Policy" shall be held to include all the policies by which such assurances are evidenced.

1. The Principal Office offering a reassurance risk shall state, in writing, what amount of existing assurance, if any, and what amount of the new assurance it will retain at its own risk when the new assurance is completed ; also upon what terms it is undertaking the new assurance, and upon what terms the existing assurance, if any, was effected.

2. The Principal Office at the time of offering the reassurance, and also in the interval before completion of the same, shall communicate all information in its possession, or coming to its knowledge, bearing upon the eligibility of the risk, and shall furnish copies of the papers containing such information. The Principal Office shall also at the time of offering the reassurance state the particulars of any previous proposals it may have received on the same life ; and shall, if required, exhibit the papers connected with such previous proposals, and allow copies to be taken. No error or omission in describing the risk or giving information shall invalidate a reassurance ; but, if the Guaranteeing Office shall consider that it has been misled or damaged by any such error or omission, it may in terms of Rule 20 submit the matter to referees, who shall have power to award relief or compensation.

3. No sub-reassurance shall be effected by a Guaranteeing Office without the consent in writing of the Principal Office.

4. The Guaranteeing Office shall not be on the risk until it has officially intimated its acceptance thereof, nor until the Principal Office is on the risk ; but, after acceptance by the Guaranteeing Office, when the Principal Office is placed on the risk by payment of the first premium the Guaranteeing Office shall, *ipso facto*, be concurrently on the risk. Provided that the Principal Office shall not be at liberty so to complete the risk after the expiry of one month from the date of acceptance by the Guaranteeing Office, without obtaining and communicating to the Guaranteeing Office satisfactory evidence of the continued eligibility of the risk for assurance on the terms agreed upon.

5. If before the commencement of the risk the Guaranteeing Office shall, in consequence of any information coming to its knowledge affecting the eligibility of the risk, desire to withdraw its acceptance, and shall give written intimation of such desire to the Principal Office, indicating generally the grounds thereof, the acceptance of the Guaranteeing Office shall be void and of no effect after the expiry of one week from the time when such intimation shall have been delivered to the Principal Office, or immediately upon the Principal Office withdrawing its own acceptance or obtaining an acceptance of the reassurance from another office, whichever shall first happen, unless in the meantime the risk of the Guaranteeing Office shall have commenced by reason of the commencement of the risk of the Principal Office, in which case the acceptance of the Guaranteeing Office shall remain in force.

6. Upon becoming aware of the commencement of the risk the Principal Office shall forthwith pay the first premium on the reassurance,

or pending the payment of such premium shall issue a notice to the Guaranteeing Office stating the amount for which the latter is on the risk and the date of the commencement of such risk.

7. In the event of a claim arising under the original assurance before payment of the reinsurance premiums or issue of the notice last mentioned, the Principal Office shall bear the loss of the sum, if any, which it had intimated its intention to retain at its own risk in respect of such original assurance; and the balance of the claim shall be met by contributions from the Guaranteeing Offices of sums bearing in each case the same proportion to that balance as the sum accepted by each Guaranteeing Office bears to the total amount accepted by all the Guaranteeing Offices, but in no case shall the amount payable by any one Guaranteeing Office exceed the amount of its acceptance.

8. A reinsurance contract shall be evidenced by a guarantee endorsed on a copy of the policy or of one of the policies issued by the Principal Office, or by a policy of the Guaranteeing Office, endorsed to the effect that it is issued as a reinsurance of a policy or policies (to be specified) of the Principal Office. Save as hereinafter provided, the reinsurance shall in every case be subject to all the conditions of the original policy, and to any alteration of the same which the Principal Office may make generally applicable to policies of a similar description, provided such alteration does not affect the ordinary premium payable, nor the term of the assurance, and does not introduce any risk of a different nature from that covered by the original policy. A claim under the reinsurance will be payable only if a claim under the original assurance becomes payable.

9. The Guaranteeing Office shall pay to the Principal Office a rateable proportion of the stamp duty on the original policy.

10. In every case in which a Guaranteeing Office receives, by arrangement, the rate of premium of the Principal Office, the Guaranteeing Office shall be held as agreeing to follow the Principal Office—

(a) In the rate of any extra premium imposed by the Principal Office for any risk not provided for in the original policy or in any of the published rules of the Principal Office, and in any licence under which the payment of any such premium may be waived, it being understood that the views of the Guaranteeing Office or Offices shall be ascertained by the Principal Office before it comes to its own decision in the matter.

(b) In the terms of any commutation or alteration of premium, or in any adjustment of premium or of the amount assured consequent upon error in age, according to the rules or practice for the time being of the Principal Office: but no alteration extending to the remission or reduction of any extra premium imposed at the time of effecting the assurance, or to the modification of any special terms imposed in lieu of such extra premium, shall be made without the consent of the Guaranteeing Office.

(c) In the case of a with-profit assurance, in the bonuses declared by the Principal Office in respect of the original assurance, by guaranteeing proportionately such bonuses and their commuted values according to any option exercised by the assured in terms of the regulations of the Principal Office for the time being.

(d) In the surrender value or paid-up policy allowed by the Principal Office, in accordance with its ordinary practice.

11. In every case in which the Guaranteeing Office receives its own rate of premium from the Principal Office, the reinsurance shall, as regards bonuses, surrender values, paid-up policies, and alteration or commutation of premiums, be subject to the usual terms and conditions of the Guaranteeing Office for the time being in force ; but as regards extra premiums and licences, the provisions of clause 10 (a) shall apply, and as regards any adjustment for error of age, the mode adopted by the Principal Office shall apply.

Provided always that in no case shall the risk of the sum reassured fall on the Principal Office without the Guaranteeing Office being liable, or fall on the Guaranteeing Office when the Principal Office is not itself on the risk. When in consequence of a difference in the rates of surrender value allowed by the Principal Office and by the Guaranteeing Office respectively, the original assurance would, by the operation of non-forfeiture regulations, remain longer in force than the reinsurance, the Guaranteeing Office shall, nevertheless, remain on the risk concurrently with the Principal Office, but the Principal Office shall pay to the Guaranteeing Office such premium or portion of premium (according to the rate payable on the reinsurance) as shall correspond to the difference in time. When from a like cause the reinsurance would remain longer in force than the original assurance, the Guaranteeing Office shall not remain on the risk when the risk of the Principal Office has ceased, but shall be liable to pay to the Principal Office the balance of surrender value remaining in its hands. But this rule shall not preclude the Principal Office from keeping the reinsurance in force by continuing to pay the reinsurance premiums, while the original assurance is being kept in force by the operation of non-forfeiture regulations.

12. Where in any particular case the rates of premium of the Principal Office and of the Guaranteeing Office are identical, then, in the absence of special agreement, the reinsurance shall, for the purpose of Rule 10, be held to be arranged at the rate of the Principal Office.

13. The premiums on the reinsurance shall be payable on the same days as the premiums on the original assurance, and the payment of the renewal premiums to the Principal Office shall bind the Guaranteeing Office as if the reinsurance premiums had been simultaneously paid.

14. Notwithstanding that a renewal premium may have been paid by the Principal Office to the Guaranteeing Office, if the risk under the original assurance has not been continued, the risk of the Guaranteeing Office shall be held not to have been renewed, and the premium (less the commission deducted at the time of payment) shall be returnable on demand to the Principal Office.

15. A Principal Office may, during the subsistence of the original assurance, or any part thereof, surrender wholly or partially any reinsurance, and claim the corresponding surrender value or paid-up policy, if any, as if the original policy were being surrendered or exchanged for a paid-up policy.

16. When an original assurance is wholly discontinued, the reinsurances shall likewise be discontinued. When an original assurance

is reduced, then if the Principal Office has retained at its own risk no part of the original assurance, it shall reduce to the same extent some, or all, of the reassurances, so that it shall never be in a position to receive under the reassurances a larger sum assured, irrespective of bonus additions, than it is liable to pay under its original assurance.

If the Principal Office has retained at its own risk a portion of the original assurance and has reassured the remainder, the Principal Office shall not reduce its own risk without reducing in like proportion the several amounts of any reassurances it may continue in force.

17. Notwithstanding anything contained in these rules, if the Principal Office is itself interested in the original assurance, as security for a loan or as covering any contingency in a reversionary or other transaction, the reassurances may be continued in force in whole or in part, although the original assurance shall have become void in whole or in part by non-payment of premium ; but the Guaranteeing Offices shall not be ultimately liable under this rule to any greater extent than the sum necessary to save the Principal Office from actual loss, to which sum, if less than the total amount reassured, the Guaranteeing Offices shall contribute rateably, according to the amounts severally guaranteed by them, including bonus additions.

18. The Principal Office shall furnish to the Guaranteeing Office copies of the evidence of age and of the certificates produced in proof of a claim ; and such evidence and certificates, if accepted by the Principal Office as sufficient, shall also be accepted by the Guaranteeing Office. The Guaranteeing Office shall have the right at any time to inspect the originals of such evidence. The Principal Office, at the time of collecting the amount due by the Guaranteeing Office, shall state in writing either that it has paid the claim under the original policy, or that it expects to do so within the next few days, or that it is about to allow interest on the claim ; but in the last case the Reassuring Office shall have the option of paying its proportion of such interest instead of paying the claim immediately.

19. Unless otherwise arranged, the commission on the reinsurance of whole-life and endowment-assurance risks shall be either at the rate of 10 per cent on the first year's premium and 5 per cent on renewal premiums, or at the rate of 1 per cent on the sum assured and $2\frac{1}{2}$ per cent on premiums payable after the first year, as the Principal Office shall in each case elect ; such election to be expressed at the time when the reinsurance is offered.

20. Any difference or dispute arising in relation to a reinsurance effected under these rules shall be decided by reference to three of the principal officers of offices which are parties hereto, and not interested in the matter in dispute, one to be selected by each office interested, and the third to be mutually agreed on by the first two selected referees. The decision of the majority of the three referees shall in all cases be binding on the parties between whom the question has arisen.

CHAPTER II

TYPES OF OFFICE: BONUS SYSTEMS: INCOME TAX ABATEMENT

LIFE assurance offices may be divided into two classes : (a) Mutual Offices ; and (b) Proprietary Offices. Mutual offices have no shareholders and consequently the entire profits belong to the policy-holders. Proprietary offices are the property of shareholders, who, in return for the protection afforded by their capital, receive a small share of the profits arising from the life assurance business. The Assurance Companies Act, 1909, provides that in the case of a company transacting more than one class of business, the receipts of each class of business shall be carried to a separate fund with an appropriate name, and that the fund of any particular class shall be liable only for the business of that class. It is apparent, therefore, that although a proprietary company may transact classes of business other than life assurance, no other class of policy-holder can have any claim on the life assurance fund, whilst life policy-holders in common with other creditors have the security of the shareholders' capital. From a cursory glance it might appear when comparing two well-managed and old-established offices, one a mutual office and the other a proprietary office, that the advantage from a policy-holder's standpoint must lie with the former. The actual position would not, however, be so clear in the majority of cases, since the proportion of the profits taken by the shareholders is usually very small and, moreover, in some instances, where other classes of business are transacted, the expenses charged to the life assurance fund are limited to a fixed percentage of the premium income, this percentage being considerably less than the actual expense ratio. Further, although in the case of a well-managed office the chance of shareholders' capital being required to meet the liabilities of the life assurance fund may seem very remote, yet the benefit which it confers is in no sense negligible, a fact which was abundantly proved shortly after the close of the 1914-18 War, when the shareholders of two large offices assisted the life assurance funds in order that the pre-war rate of bonus might be maintained.

Agents' Commission

With the exception of two or three mutual offices which steadfastly refuse to pay commission, relying upon advertisements and introductions for extending their clientele, life assurance companies procure the bulk of their new business through the medium of agents. These agents are remunerated by way of commission. The rate of commission varies with the class of assurance, an office being willing to pay a relatively high scale for business which it is anxious to place on the books, whilst policies which are not so profitable to the office do not, of course, yield so high a rate of commission to the agent. For the principal classes of policy issued by ordinary offices, a comparatively large commission usually based upon the sum assured, and varying from 1 to 2 per cent, is paid at the outset. Thereafter a small percentage, generally $2\frac{1}{2}$ per cent, is paid upon each renewal premium. Some offices have a sliding scale of initial commission varying between the two limits mentioned above, according to the amount of business introduced during the financial year. Sometimes, however, as an alternative to the foregoing method, an office will allow an initial commission based on the premium instead of on the sum assured. Single premium cases do not appear to be dealt with in any uniform manner; a rough method is often used producing a commission comparable with that allowed in the case of an annual premium contract. For instance, an office paying commission on the basis mentioned above could reasonably allow for a single premium policy the usual initial commission and also an additional amount equal to $2\frac{1}{2}$ per cent of the difference between the single premium and the corresponding annual premium. For the minor classes of policy the commission varies considerably, and is usually much smaller than that allowed in respect of the main types of policy. An indication as to the commission payable in these cases will be given in later chapters describing the various kinds of policy in detail.

“ With Profit ” and “ Without Profit ” Policies

In the early days of life assurance when very few tables of mortality were in existence, several offices based their premiums upon the Northampton Table. This table was constructed upon

unsound principles and consistently overstated the rate of mortality, the result being that the premiums charged by the offices were more than adequate to meet the risk involved. In course of time large surpluses accumulated which were distributed amongst the policy-holders by way of bonuses.

This system of charging a premium higher than is necessary to meet the risk involved and allotting bonuses to the surviving policy-holders from the resultant surpluses is now one of the principal features of life assurance. In the case of most of the earlier offices it began in the haphazard manner indicated above, but there is evidence that one office at least adopted it deliberately before it was realized that the premiums based upon the Northampton Table were too large. At the present time nearly all the offices transacting life assurance business issue two great classes of policy—

(a) Those which share in the profits, known as “with-profit” or “participating” policies; and

(b) Those which do not share in the profits, known as “without-profit” or “non-participating” policies.

When comparing the relative advantages of with-profit and without-profit policies, it must be borne in mind that as a rule all these policies are included in one fund, and that any profit arising from the non-participating business goes into the general surplus which is allotted to the with-profit policies. Although with-profit policy-holders pay higher premiums than without-profit policy-holders, the bonuses which the former receive in normal circumstances, in the case of a well-managed office, are of considerably greater value than the additional premiums that they pay for the privilege of sharing in the profits. In order to ascertain the available surplus, periodical valuations are made of the assets and liabilities of life assurance companies. It is prescribed by the Assurance Companies Act, 1909, that these valuations shall be made at least quinquennially. Although the majority value at quinquennial intervals, some offices make their valuations triennially and others annually, the modern tendency being to the shorter intervals.

After the actual profit available for distribution has been ascertained, it is necessary that the surplus shall be apportioned amongst the participating policy-holders in an equitable manner. Various schemes have been tried from time to time with this object in

view, some being cumbrous and leading to an immense amount of work on the part of the office, others being relatively simple to apply. Bonuses are usually allotted as additions to the sum assured, but they can, as a rule, if the policy-holder so wishes, be surrendered for a cash payment, i.e. for a smaller amount equivalent to the present value of the bonus, taking into consideration the fact that it is only due to be paid in full when the sum assured becomes payable. Alternatively, bonuses can be applied to reduce the amount of the future premiums, and it is interesting to note that some offices make it a practice to insist when once a policy-holder has dealt with his profits in this way, that future profits shall be applied similarly until no further premiums remain to be paid.

A brief description of the principal systems of allotting bonuses is given below.

The Uniform Simple Reversionary Bonus

Under this system, profits are allotted by way of an addition to the sum assured, the bonuses being declared as a percentage of the sum assured for each year of the valuation period. The term "uniform" signifies that the percentage added to the sum assured at any particular valuation is the same, whatever the age of the life assured or class of assurance may be. It does not mean that at every valuation a policy-holder gets the same addition to his sum assured—he may, of course, do so, but the amount of bonus which an office can declare at any valuation must inevitably depend on the surplus available.

The great feature of this system is its simplicity, the same rate of bonus being given to policies of all ages and all durations. It will be seen that, since the value of a sum of money due at death becomes greater as the age increases, this system produces reversionary bonuses, the cash values of which increase with the age. On this account the system is popular with the public, whilst its simplicity makes it attractive to assurance offices, a considerable number of which utilize it at the present time. This latter feature is of particular importance to the ordinary branches of industrial companies, where the number of policies involved is large and the system is almost universally adopted by such offices.

As an example, let us take the case of an office valuing at

quinquennial intervals which has declared a simple reversionary bonus of 1 per cent per annum at three successive valuations.

A policy for £100 effected at the commencement of the first quinquennium would have received the following bonuses—

At the end of the first quinquennium	.	.	.	.	£	5
" " second "	.	.	.	.	5	
" " third "	.	.	.	.	5	
Total	.	.	.	.	£15	

The Uniform Compound Reversionary Bonus

This system is similar to the uniform simple reversionary bonus with the exception, however, that any profits allotted are declared as a percentage of the sum assured and any bonus already attaching. Although not so easy to work from the office point of view as the simple reversionary bonus system, this scheme is not difficult to apply and, moreover, it is easily understood by the public. It produces reversionary bonuses which increase with the duration of the policy, a feature which is appreciated by policy-holders, the absence of increasing reversionary bonuses being the great defect of the simple reversionary bonus system.

As an illustration of the working of this system, let us assume that the office mentioned in the previous example granted a compound reversionary bonus in lieu of a simple bonus, then the additions to the policy would have been as follows—

At the end of the first quinquennium	.	.	.	£	s.	d.
" " second "	·05 × £105	.		5	5	—
" " third "	·05 × £110 5s.			5	10	3
Total	.	.	.	£15	15	3

Comparing this example with the previous one, we see that at the end of the third quinquennium, the policy participating in profits on the compound reversionary bonus system has received 15s. 3d. more by way of bonuses. As time passed this difference would increase and it will be seen that in the case of a large policy remaining in force for a long period, the allotting of bonuses on a "compound" instead of on a "simple" basis would involve the payment of a considerable additional sum to the policy-holder.

There is little doubt that this system, producing as it does both reversionary bonuses and alternative cash payments which increase as the policy becomes older, is popular with the public. It is simple in its application, and that it is looked upon with favour at the present time is shown by the large number of assurance companies which declare their bonuses upon this basis.

The Cash Bonus

As its name implies, profits under this system are allotted in cash, the amount allocated to each policy generally being proportionate to the premiums paid during the valuation period. Although the bonus is allotted in cash it can usually be converted at the option of the policy-holder into a reversionary addition to the sum assured, or it can be applied in reduction of future premiums. The disadvantage of this system lies in the fact that a fixed sum of money, when converted into an equivalent addition to the sum assured, produces a smaller reversionary bonus in the case of an old life than in the case of a young life. The man in the street does not appreciate this. He thinks that his bonus, whether in cash or in reversion, should increase as he gets older. The result is that this method of allotting profits is unpopular with the public and, consequently, it is employed by few offices at the present time.

The Contribution System

Under this system the surplus is first divided according to the main sources from which it has been derived. Endeavour is then made to allot each portion of the surplus to the policies in proportion to their respective contributions to such surplus. With this object in view it introduces great refinements, the result being that it is extremely cumbrous to apply. In general it produces reversionary bonuses which increase with the duration of the policy, but there is considerable doubt as to whether the desired equity is attained to any greater extent by the use of this method than by the use of one of the simpler reversionary bonus systems. Out of a considerable number of offices which formerly used this method only a very few continue to do so at the present time, the remainder having discarded it in favour of either the simple or compound reversionary bonus systems.

Bonuses in Reduction of Premiums

Although a reversionary bonus can usually be applied to reduce future premiums, there are two offices which make a speciality of allotting their profits by way of a reduction in future premiums. No profits are allotted during the first five or seven years of a policy's existence, but at the end of that period a substantial reduction is made in the premium. The policy thereafter receives a small reduction year by year until no further premiums are payable. As soon as the premiums have been extinguished in this manner, bonuses are allotted by way of reversionary additions to the sum assured.

The Tontine System

This system derived its name from an Italian named Tonti, who in the seventeenth century formed a fund out of the contributions of a certain number of subscribers. The interest on the fund was to be divided each year amongst the survivors, the last survivor ultimately taking the whole fund. The system was exceedingly popular in America at one time and several American offices issued "Tontine" policies in this country. These policies were grouped in series, for each of which a separate fund was kept. In the event of death before a certain date the sum assured only was to be paid. It was provided, however, that at the end of the specified term each surviving policy-holder should be entitled to receive the reserve value of his policy, together with an equitable share of the surplus remaining in the fund after provision had been made for these reserve values. Certain other options were allowed to the survivors at the end of the term. The system involves an element of speculation, and this class of policy appeals to a man whose family is long lived. At the present time, however, the scheme so far as this country is concerned is mainly of historical interest.

The Deferred Bonus System

Under this system a policy only participates in profits after a certain specified date. In the case of one British office with which this scheme is usually associated, policies only become entitled to rank for bonuses when the premiums paid, accumulated with compound interest at 4 per cent per annum, amount to the sum

assured. The premiums under this scheme are very low compared with those charged under ordinary with-profit policies. The sum assured only is paid in the event of death during the early years, but on survivance to the end of the specified period the policyholder receives a very substantial bonus. Schemes of this nature attract a desirable class of life, since a person taking out a policy participating in profits in this way is "backing" himself to live for a considerable period. The system has not, however, been adopted to any great extent by offices in this country.

The principal systems in operation for the allotment of bonuses having been briefly described, it will be convenient to mention three classes of policy in the case of which bonuses are treated specially.

Discounted Bonus Policies

A considerable number of offices grant this kind of policy under which future bonuses, at a rate usually somewhat lower than that which the company has been in the habit of declaring, are anticipated and applied to reduce the ordinary with-profit premiums. If the office declares in respect of its ordinary with-profit policies at its periodical valuations a bonus greater than that discounted, then the "discounted bonus" policy is credited with the difference. On the other hand, if the full rate of bonus declared falls short of the bonus anticipated, either the sum assured under the discounted bonus policy is reduced or the premiums are increased by the amount necessary to make up the deficiency.

As an example, let us take the case of a policy, the premiums in respect of which are based on a discounted bonus of £1 5s. per cent per annum. If at the next valuation the office declares a bonus at the rate of £1 10s. per cent per annum in the case of its ordinary with-profit policies, the discounted bonus policy will receive a reversionary bonus of five shillings per cent per annum. Should the office be in a position to declare a bonus of only fifteen shillings per cent per annum then it would be necessary either to reduce the sum assured or to increase the future premiums by an amount corresponding to a reversionary bonus of ten shillings per cent per annum. The great defect of this class of policy is the fact that the sum assured (or the premium) is not guaranteed.

Prime Cost Policies

Analogous to the type of policy described in the preceding paragraph is the "prime cost" policy issued by at least one office. Under this system a certain proportion of the ordinary full-profit premium is advanced yearly by the office and accumulated at interest until the next distribution of profits. At each valuation the portions of premiums advanced are treated as a charge against the bonus. In the event of there being a margin of profit after repaying the amount advanced, this margin remains attaching to the policy or it can be surrendered if desired. If, on the other hand, the profits declared are insufficient to repay the advance, the assured can pay the balance due or, alternatively, the sum assured will be reduced by an equivalent amount.

Part Profit Policy

The possible difficulties that might arise under the policies described in the two preceding paragraphs are eliminated in a class of contract providing for a definite proportion of the bonus declared in the case of the ordinary "with-profit" policies. For instance, under a "two-thirds profit" policy the policy-holder would be entitled to bonuses at two-thirds of the rate allotted in the case of the ordinary participating policies, an appropriate addition to the "non-profit" rate of premium being charged to provide for this bonus. These contracts are guaranteed, and neither sum assured nor premium can be varied, even if a bonus be passed entirely. This form of policy is not very popular, although there is no apparent reason why it should not prove attractive.

Vesting of Bonus

The expression "Bonus vests after . . . years" appears occasionally in the publications of assurance companies, and perhaps a few words in explanation may be included here. Generally speaking, when a reversionary bonus is allotted to a policy it becomes part of the sum assured immediately. In other words, if a claim arose the bonus would be paid as well as the sum assured, or if the assured so wished he could surrender the bonus for a cash payment. Now, some offices, although they allot a bonus to a policy at the first valuation after its issue, stipulate

that the bonus shall only "vest" after the policy has been in force for a certain number of complete years. In cases where this restriction is imposed, the period at the end of which the bonus vests varies usually from two to five years. The policy-holder cannot deal with the bonus in any way during this period, and should the life assured die the sum assured only would become payable.

Income Tax Abatement

In 1853 the Government then in power decided that it was in the interests of the nation as a whole to encourage taxpayers to assure their lives. It was accordingly provided in the Income Tax Act, 1853, that a rebate of income tax should be allowed in respect of the annual premiums paid by taxpayers for life assurances, or deferred annuities, on their own lives or on the lives of their wives, the only limitation being that the rebate should not apply to premiums paid in excess of one-sixth of the total income.

This Act has been modified by subsequent legislation, the rebates allowed at the present time being regulated by the Income Tax Act, 1918, as amended by subsequent Finance Acts. These Acts provide that an abatement of income tax shall be allowed in the case of—

(a) Premiums (whether annual or not) including any extra premium for life assurances or deferred annuities paid by the taxpayer on his own life or on that of his wife ;

(b) Similar premiums paid by the taxpayer's wife out of her separate income on her own life or on that of her husband ; and

(c) Any sum which the taxpayer, under any Act of Parliament or under the conditions of his employment, is liable to pay, or to have deducted from his salary, to secure a deferred annuity to his widow or provision for his children after his death.

Subject to the following limitations—

(i) The rebate shall not apply to premiums in excess of one-sixth of the total income from all sources.

(ii) If the premium payable during the year exceeds 7 per cent of the sum assured (exclusive of any bonuses attaching) the rebate will only be allowed on 7 per cent of the sum assured.

Since the allowance is a *rebate* of tax no sum can be obtained in excess of the amount of tax actually paid by the claimant.

If tax be payable at the full rate on a sufficient amount of income then in the case of policies effected on or before 22nd June, 1916—

(a) The rebate is allowed (1947) at the following rates in the £—

(i) 3s. 6d. if the total income does not exceed £1,000 ;

(ii) 5s. 3d. if the total income exceeds £1,000 but does not exceed £2,000 ;

(iii) 7s. if the total income exceeds £2,000.

(b) In the case of policies which do not secure a capital sum at death £100 is the maximum amount of premiums on which a rebate can be claimed.

Provided tax be payable at the standard rate on a sufficient amount of income then policies effected since 22nd June, 1916, are eligible for rebate at 3s. 6d. in the £ with the exception that no rebate is allowed in respect of—

(a) Policies which do not secure a capital sum at death ; and

(b) Deferred assurances during the period of deferment.

Relief will be given on premiums up to the amount of the taxable income only.

It will be seen from the foregoing that single premiums rank for rebate of income tax subject to the same limitations as apply to annual premiums. Attention may also, perhaps, be drawn to the fact that a comparatively common form of policy, the Pure Endowment, comes under the heading of policies which do not secure a capital sum at death, and accordingly no rebate is allowed in the case of this class of contract. Mention is made on page 157 of a method of drafting this form of policy so that it may rank for abatement in the same manner as ordinary life assurances.

Rebate of income tax in the case of joint life assurances is now allowed only when the persons paying the premiums and on whose lives the policy is effected are husband and wife, although the privilege formerly extended to business partners. The Inland Revenue Authorities have agreed with the Life Offices to a form of endorsement, virtually splitting a policy of this type into two or more contingent survivorship assurances, which has the effect of bringing existing policies within the scope of the regulation, but it is thought probable that in future single life assurances will

take the place of joint life policies, partnership interests being protected by suitable assignments.

It is also interesting to note that in the case of Double Endowment assurances the 7 per cent limitation is calculated on the death benefit and not on the amount payable at maturity.

It is clear that, in making this allowance for life assurance premiums, the State is contributing to a very considerable extent towards the cost of a taxpayer's assurance, and there is little doubt that to this cause is very largely due the immense popularity of the endowment assurance at the present time. When allowance is made for the assistance rendered by the State it will be found that a short-term endowment assurance in a good office will prove a remunerative investment, quite apart from the value of the assurance protection that it affords. This question will be dealt with at greater length under the heading of "Endowment Assurances" in the following chapter.

CHAPTER III

SINGLE LIFE ASSURANCES

It is now proposed to consider the principal classes of life assurance and annuity contract granted at the present time. The salient features of the different types of policy will be mentioned briefly and attention will be drawn to any special points of interest. The present chapter will be devoted to the consideration of single-life policies in connection with which it is essential for the office to be furnished with evidence of the state of health of the life proposed.

Whole of Life Assurances by Premiums Throughout Life

Although not at the present time the most popular form of policy, the whole of life assurance was for many years effected far more widely than any other type of life assurance contract. As is well known, under this form of policy the company, in return for a premium payable annually, half-yearly, or quarterly throughout life, agrees to pay a certain sum at death whenever that may occur. In the case of a "with-profit" policy the assured is entitled to participate in any profits which may be found to be divisible from time to time. These policies are effected mainly as a provision for dependants and if a "without-profit" policy be chosen it represents real life assurance, since no element of investment enters into the contract. The advantage of this type of policy is that it is cheap and, in cases where a person can afford to pay only a limited amount in premiums, the cover that can be purchased is larger than can be obtained under any other form of permanent assurance. Inherent in this kind of policy is, however, the very great drawback that premiums continue to be payable in old age when the burden may become heavy. It is, of course, possible for a policy-holder, when he has retired from active life, to have his policy converted into a paid-up assurance for a reduced amount free from the payment of future premiums. This does not eliminate the disadvantage, however, since for the benefit of the cessation of premiums he has to forego perhaps a considerable portion of the sum assured. Again, the premiums in the case of a

“with-profit” policy may generally be reduced by the application of profits, and after the lapse of a very considerable period they may even be extinguished. There is, however, a distinct element of uncertainty about the matter, since possibly bonuses may not be forthcoming to a sufficient extent, in which case the policy-holder will have the dissatisfaction of having to continue the payment of premiums, although they may be only of small amount, at a time when he may not be in a position to meet them with ease.

Surrender values are invariably allowed in the case of this type of policy after two or three premiums have been paid and the alternative benefit, as previously mentioned, of having the policy converted into a paid-up assurance for a reduced amount, free from the payment of future premiums, is always granted. There is a distinct tendency at the present time for companies to guarantee minimum surrender values expressed as a percentage of the premiums paid, whilst some offices endorse on the policy in “without-profit” cases the actual surrender values attaching from time to time.

Whole of Life Assurances by Limited Premiums

This kind of policy, as its name implies, is a variation of the ordinary whole of life assurance, the sum assured being payable at death, the premiums being limited, however, to a certain fixed number. This class of assurance is not effected to any great extent, although from some points of view it is a most desirable form of policy. It is an ideal policy for providing assurance protection for a man's family. The policy-holder can arrange for the premiums to cease at the age when he expects to retire from business so that on his retirement, when his income will presumably fall, he will be in possession of a fully paid-up policy. If at that time he no longer requires assurance protection he can surrender his policy for a substantial amount in cash. For a given amount of premium the sum assured that can be obtained under this type of policy, though less than that which can be secured under an ordinary whole of life assurance, is considerably larger than can be obtained under an endowment assurance to mature at the time when the premiums cease to be payable under the limited premium policy. It will be seen, therefore, that by the loss of the difference between

the surrender value of the limited premium policy, when the last premium has been paid, and the amount payable at maturity under a corresponding endowment assurance, a much greater assurance protection is obtained, together with the option of continuing the assurance free of premiums after the date when the endowment assurance would have matured. The following example in the case of a healthy life aged 30 next birthday, based on the figures of a typical office, may serve to illustrate the relative advantages of the ordinary whole of life assurance, the whole of life limited premium policy and the endowment assurance, viewed from this standpoint—

An annual premium of £20 payable throughout life will secure an ordinary whole of life assurance for £1,175 without profits.

An annual premium of £20 payable for a maximum of 30 years (i.e. to cease at age 60) would secure either : (a) a policy for £1,000 without profits payable at death ; or (b) an endowment assurance for £750 without profits to mature at age 60.

At age 60, the holder of the whole of life limited premium policy would have no further premiums to pay—he could continue the policy as a paid-up whole of life assurance for £1,000 without profits, or he could surrender it and the cash that he would receive would be roughly £600. In other words, under the limited premium policy additional assurance cover of £250 would be obtained for 30 years, and an option to continue the assurance for £1,000, without profits, after age 60 free from the payment of future premiums. On the other hand, if a cash payment were required at age 60 the policy-holder would receive £150 less than he would have obtained under the endowment assurance.

It will be apparent from the foregoing example that the whole of life limited premium policy is a very suitable form of assurance for a young man having to provide for his family in the event of his early death.

The surrender values allowed in the case of this class of policy are usually liberal. It is a common practice to grant paid-up policies for amounts bearing the same proportion to the original sum assured as the number of years' premiums paid bears to the maximum number originally payable. In the case of participating policies the paid-up policies are increased in respect of any bonuses attaching at the date of conversion, and in many instances the

paid-up policy continues to participate in profits in respect of the reduced sum assured. There is no uniformity of practice, however, in this matter and some offices do not allow any future profits in the case of policies made paid-up in this way.

Single premium whole of life assurances are, of course, special instances of limited premium policies where the number of premiums payable is limited to one. These policies usually carry surrender values from the outset, ranging from 85 to 95 per cent of the single premium paid, according to the regulations of the particular office. The surrender value remains constant at this arbitrary figure until a larger value is brought out by a calculation upon the ordinary actuarial basis—this does not happen as a rule until the lapse of several years from the date of entry.

Life assurance is almost the only practicable way in which a sum of money can be provided at death, without the realization of securities. It follows, therefore, that life assurance affords a very satisfactory method of making provision for death duties. At the time of writing the estate duty payable on the death of the owner of an estate varies from 1 per cent in the case of an estate of £100 to 65 per cent in the case of an estate of £2,000,000 or over. It will be appreciated, therefore, that if the death duties in the case of a big estate are to be provided for principally by means of life assurance, quite a large policy will be required. With present rates of duty it is impossible to provide the whole of the amount required in this manner in the case of large estates. Ordinary whole of life assurances and whole of life limited premium policies are particularly suitable for this object, and many very large policies have been effected for this purpose. In ordinary circumstances probate of the assured's will, or letters of administration to his estate, have to be produced before an office will pay the policy moneys. As, however, estate duty has to be paid before the heirs can obtain legal possession of the estate, offices grant special "death duty" policies, which contain a clause providing for the payment of the whole or of a sufficient part of the sum assured to the Inland Revenue Authorities before probate is granted.

Endowment Assurances

This is undoubtedly the most popular form of assurance at the

present time. Under this class of contract the sum assured is payable at the expiration of a fixed term of years or at death, should that occur previously. Companies usually quote their rates for endowment assurances in two ways—

For policies to mature (i) at specified ages ; and

(ii) at the end of specified terms of years.

The practice of quoting for policies to mature at specified ages is, however, misleading, since an endowment assurance almost invariably matures on an anniversary of the date of its issue. This type of policy which commends itself to thrifty people, who use it as a means of saving money, is really a combination of life assurance and investment. In the case of policies running for long terms the assurance element predominates, whilst in the case of assurances maturing at the end of comparatively short terms the actual cost of the assurance is very small, the bulk of the premium being required for the investment portion.

These short-term endowment assurances, which are naturally subject to relatively heavy premiums, are not life assurance proper and, although they are very suitable for some purposes, there is little doubt that many people, through lack of thought, leave their families practically unprovided for because they wish to receive the policy moneys at an early age. When, however, the matter is viewed purely from an investment standpoint, it is possible in the case of an endowment assurance running for a moderate term, after allowance has been made for rebate of income tax, to obtain quite a reasonable rate of interest on the premiums, apart from the life assurance protection. As has been pointed out already in a previous chapter, a "with-profit" policy in a well-managed office will always in normal circumstances prove to be a better investment than a "without-profit" contract. It will also be found that a short-term endowment assurance will, within certain limits, produce a better yield than a long-term policy. In this connection it must, however, be borne in mind that no rebate of income tax is allowed on any premium in excess of 7 per cent of the sum assured. The best yield, therefore, in any particular case will generally be produced by a "with-profit" policy running for a term of years corresponding with an annual premium of approximately £7 per cent.

The foregoing remarks suggest that endowment assurances can be made to serve several useful purposes depending largely upon the term for which the contract is to run. If insurance be the primary object in view, then it will be obvious that the policy must mature at as old an age as possible, so that the premium which the proposer can afford will secure the largest possible amount for his dependents. A young man, by effecting an assurance to mature at age 60, or at whatever age he may expect to retire from business, can not only provide for his family in the event of his early death, but he can also make suitable provision for his own old age ; it is probable that more policies are taken out for this combined purpose than for any other.

Provision for the education of children is another object for which endowment assurances are commonly effected. In this case it is essential that the term of the policy be short, because the strain of the expenses of a child's education is felt mostly between the ages of 10 and 20. It will be apparent, therefore, that by a judicious selection of suitable endowment assurances, a person can provide for many contingencies, but the fact must not be lost sight of that, if real life assurance protection is required, the advantages of the whole of life limited premium policy are undeniable.

Occasionally policies of this class are issued subject to premiums payable for a period shorter than the full term of the policy, these contracts being usually known as limited premium endowment assurances.

The remarks made with reference to the surrender values and paid-up policy values of whole of life limited premium policies apply equally to endowment assurances.

It is a frequent occurrence for an endowment assurance to be granted with the provision that the sum assured shall be payable by periodical instalments. A contract of this type which is often known as an " Instalment Policy " is, from the point of view of the assurance company, simply an ordinary policy of the same category assuring a lump sum equivalent to the periodical instalments. As an example, let us take the case of an endowment assurance for £500, payable by five annual instalments of £100 each. Now, on the basis of interest at 3 per cent per annum, the present value of an annuity of £100 payable for five years and then ceasing,

the first instalment being due at once, is £472. Assuming, for the purpose of illustration, that an office chooses to use interest at the foregoing rate in calculating the equivalent sums assured for instalment policies, then the premium payable for the policy described would be simply that for an ordinary non-participating endowment assurance for £472.

A short-term endowment assurance effected upon the life of a parent, the sum assured being payable in the manner described in the preceding paragraph, forms a particularly suitable method of providing for the education of a child. It can be arranged for the policy to mature at a date when the expenses of education will commence to be seriously felt, the number and amount of the instalments being chosen to coincide with the payments anticipated. Should the parent die before the date of maturity, the instalments commence to be payable immediately and are available for the maintenance of the child. Let us call this method (a). There are two other ways in which a person can utilize short-term endowment assurances for educational purposes—

(b) By effecting a series of policies upon his own life, the contracts maturing in consecutive years, the sum assured by each policy being the amount of expenses anticipated for the year of maturity, and

(c) By effecting a similar series of policies, the premiums under all the contracts ceasing however at one date, i.e. the policy first maturing being an ordinary endowment assurance and the others, limited premium endowment assurances, the last premium in each case falling due on the same date as that under the ordinary endowment assurance.

It should be noted in the case of (b) that since premiums are payable throughout the whole duration of each contract, the assured will be paying the premiums on some of the policies whilst others are maturing. If the father die, the full sum assured by all the policies becomes payable at once in the case of (b) and (c). In this respect (b) and (c) differ from (a)—under (a) the periodical instalments commence to be payable either at death or maturity, and if a lump sum payment were required at death only the equivalent sum assured, calculated as described in the preceding paragraph, would be allowed. In the event of the death of the

child the assurance or assurances as the case might be, could either be continued or they could be surrendered for a cash payment. Companies making a special feature of the issue of endowment assurances for educational purposes usually favour either (a) or (c), and those adopting the latter method generally embody what are really several separate policies in one contract. From the point of view of the internal working of an assurance company there is no doubt, however, that (a) is the more satisfactory method. We shall return to the question of educational policies in a later chapter when dealing with educational endowments.

War Loan, etc., Policies

Many assurance companies have from time to time issued whole of life assurances and endowment assurances, providing for the transfer of War Loan or Bonds instead of the payment of sterling. These schemes, which varied considerably in detail, were brought before the notice of the public at the time the particular issue was placed on the market by the Government. The premiums were usually based on the issue price of the stock or bonds and, apart from the fact that the sum assured is not payable in sterling, these policies are very similar to ordinary policies of the same category. In the case of Victory Bonds, which are redeemable by drawings, special arrangements had to be made. Some offices provided that if the particular bond allotted to a policy were drawn for payment, the difference between the face value of the bond and the issue price would be paid to the assured in cash, and the policy would continue thereafter as a sterling contract for a sum assured equal to the issue price of the bond. Other offices dealt with the situation in a different manner by allowing in the calculation of the premiums for the chance of the drawing of a bond, and providing in the contract that if the particular bond allotted to the policy were so drawn the face value of the bond would be paid to the policy-holder, and the assurance would come to an end.

Debenture Policies

Occasionally a whole of life assurance or an endowment assurance is issued subject to the provision that the sum assured shall be

retained by the company for a term of years, interest at a fixed rate being allowed in the meantime. These policies are commonly known as "Debenture Policies." From the standpoint of the assurance company, a policy of this type is simply a normal policy of the same category for a special sum assured. Let us take as an example a 20-year 5 per cent debenture policy for £1,000, under which the interest is to commence to accrue at the end of 15 years or at previous death. Under this contract the assurance company becomes liable to pay an annuity of £50 per annum for 20 years, the first payment falling due one year after the expiration of 15 years from the outset, or one year after the date of death, should that occur previously. The sum of £1,000 would be payable together with the last instalment of the annuity. Assuming, as in the case of the instalment policy, that the office chooses to use interest at the rate of 3 per cent per annum in these particular calculations, then the equivalent sum assured will be £1,000, plus the value, on a 3 per cent basis, of an annuity of £20 payable for 20 years only (£20 being the difference between the 5 per cent on the £1,000 promised to the assured, and 3 per cent which the office assumes for this purpose to be the net rate that it will itself earn on the money whilst it is retained). The actual premium charged would be that for an ordinary non-participating 15-year endowment assurance for the special sum assured, arrived at in the manner described. It will be noted from the foregoing remarks that a policy of this type is always more expensive than the corresponding normal policy.

Reduced Early Premium Policies

Assurance companies have been willing for many years past to issue whole of life assurances and endowment assurances, subject to reduced premiums for the first few years, usually the first five, after which enhanced premiums become payable. These policies were designed to meet the needs of the person with an increasing income, enabling him to assure for a sum beyond his means under a full-premium table at the time of effecting the assurance, but which he is likely to be well able to afford later. When comparing these policies with convertible term assurances, which will be described later and to which they are somewhat similar, it should be

remembered that the reduced early premium policy is written at the outset in the form which it is to assume finally, i.e. either a whole of life assurance or an endowment assurance. In the case of "with-profit" policies it is unusual to allow any profits in respect of the period during which the reduced premiums are payable. Moreover, in calculating surrender values and paid-up policy values, these reduced premiums are usually ignored. On account of the small premiums payable during the first few years, offices exercise great care in selecting the lives in these cases; in fact, it is a common practice to request an under-average life, proposing under this table, to complete his policy under the corresponding table, providing for a full premium from the outset. An office cannot, of course, afford to pay the usual initial commission in these cases, and it is usually arranged that payment of one-half shall be deferred until after the office has received the first enhanced premium.

Half-Credit Policies

This name is given to a type of contract under which one-half of the premium for a number of years is allowed to remain a debt upon the policy accumulating at interest. Whole of life assurances and endowment assurances are issued in this form but, although formerly popular, this class of policy has been almost entirely superseded by reduced early premium policies and convertible term assurances.

Term Assurances

We now pass to term assurances, which in return for a single premium or for periodical premiums provide for the payment of the sum assured only if the life assured die within a specified period. If the life assured survive beyond the stated term the policy becomes void, and all the premiums paid are retained by the office. This type of policy, the oldest known form of assurance, is life assurance solely and, consequently, affords the cheapest cover obtainable. These policies, which are always "without profits," are issued for terms ranging from a few months up to 15 years or perhaps even for longer periods. There is a limit, however, beyond which it is not practicable to grant a term

assurance. In the case of a policy covering a very long period the premium chargeable would necessarily approach the premium for a non-participating whole-of-life assurance. Since a whole-of-life assurance carries a surrender value, whilst a term assurance does not, it is obviously impracticable to issue a policy of the latter class for any very extensive period. This type of policy, giving as it does insurance protection at a very low cost, is often taken advantage of by persons going abroad on short trips. Perhaps even more of these policies are, however, effected in connection with loan transactions and, since "financial" lives are not supposed to be so good as the general body of assured persons, it follows that special care is exercised in dealing with applications for this kind of contract. The rates of premium being very low, it is generally stipulated that the proposer shall pay the fee for the doctor's report in cases where the proposal is for a small amount.

Convertible Term Assurances

These policies are term assurances embodying a special provision giving the assured the right to effect at some future date either a whole of life assurance or an endowment assurance without any further medical examination. This type of policy is usually issued for either 15 or 20 years, the "option" being exercisable in the case of most offices at any time except during the last five years. If the policy be not converted, it becomes void immediately on the expiry of the full term of the contract. The chance of a person deteriorating in health after the lapse of several years is, of course, far from negligible and these policies are particularly valuable in the case of young men having yet their way to make in the world, but whose prospects nevertheless are good. The premiums payable are exceedingly moderate, being in fact very little greater at young ages than the corresponding premiums for ordinary term assurances. After conversion, the new policy is generally subject to the tabular rate of premium for the age at the date of the alteration. It is, of course, understood that in the event of an office charging an extra premium in respect of a convertible term assurance, the same extra premium would attach to any permanent policy issued in lieu thereof.

Decreasing Term Assurances

This type of policy, as its name implies, is merely a term assurance with a decreasing sum assured. These assurances are commonly effected in connection with loans that are repayable by instalments. The principal outstanding from time to time in these transactions is a constantly diminishing quantity, and it will be apparent that the cheapest policy that can be effected to cover the lender in the event of the borrower's death must involve a decreasing sum assured. A level annual premium payable throughout the whole term is never charged for this type of policy which is invariably subject either to a single premium or to decreasing periodical premiums or to level annual premiums payable for a portion (usually about one half) only of the term of the policy. A little consideration will show that this provision is essential, since in the case of a normal annual premium contract the office has no guarantee that all the premiums will be paid. If such an assurance were issued at level periodical premiums payable throughout the whole term and the policy lapsed after a short time, the office would have received in premiums an amount totally inadequate to meet the risk incurred.

Owing to the smallness of the premiums, it is very unusual for a surrender value to be allowed in respect of a term assurance, unless it is a contract subject to a single premium and has a considerable term left to run.

An assurance company even in the most favourable circumstances cannot make much profit out of this kind of policy and it is customary to pay only a small commission to agents for the introduction of these cases. For policies running for two years or more 10 per cent of the first premium and $2\frac{1}{2}$ per cent of renewal premiums is a typical commission. For contracts covering shorter periods the commission would be even smaller.

"Family Protection" or "Safeguard" Policies

A recent development of life assurance is the issue by most offices of a type of policy consisting of a decreasing term assurance in conjunction with a whole of life or endowment assurance. Many different names are given to these policies, but most of them incorporate the idea of protecting or safeguarding the family. The policy provides that if the life assured die during a fixed period from the

outset annual instalments, usually 12 or 15 per cent of the basic sum assured, shall be paid for the balance of the period. In addition the basic sum assured is paid either at the time of death or at the expiration of the fixed period. In the event of the life assured's surviving the specified term the basic sum assured is payable either at death, if the contract is for the whole of life, or in the case of an endowment assurance at maturity or on previous death. The fixed period is usually 20 years, but if this term would extend beyond the life assured's 65th birthday it is customary to limit it to the difference between 65 and the age next birthday at entry.

The basic policy may be "with" or "without" profits, but in the case of the former profits are allowed on the basic sum assured only and not upon the instalment benefit. The additional premium for the "instalment" or decreasing term portion is spread either over the fixed period or over the whole premium paying term. This course is possible as the reserve in respect of the basic portion is more than sufficient to offset any loss under the term portion. It means, however, that the surrender values and paid-up policy values allowable are less than under the corresponding normal policy.

Double Endowment Assurances

It will be convenient to mention here a form of policy occasionally issued, known as the "double endowment assurance." Such a contract is very similar to an ordinary endowment assurance, the amount payable on the maturity of the policy being, however, twice that payable in the event of earlier death. A policy of this kind is really a combination of an ordinary endowment assurance and a pure endowment without return of premiums. This latter type of policy has not yet been described, but briefly it is a contract providing for the payment of a certain sum only if a specified life survive to a certain date. In the event of previous death the policy becomes void and the premiums paid are forfeited to the company. Double endowment assurances are usually issued without profits, although occasionally a "with-profit" contract is met with. In the latter case the bonuses allowable at maturity would usually be at double the rate allowed in the event of earlier death. It is a special feature of this type of policy that, on account of the large

proportion of the premium paid purely for the contingent maturity benefit, an office often finds it possible to accept an under-average life on better terms than would be allowed in the case of an ordinary policy with a level sum assured. Whether a person can or cannot be granted better terms in the case of this kind of contract depends upon the nature of the disability from which he or she suffers. An extra risk, the incidence of which is felt in the earlier years of the policy's existence, is no more suitable to this kind of policy than to any other, as in this early period the office has been unable to accumulate any reserve to meet the risk. It is quite possible, however, to deal leniently with a case, the extra risk in connection with which is negligible at the outset, but likely to increase with the efflux of time, because of the large proportion of the premiums not required to meet current risk, but which are applicable solely to the amount that may fall to be payable at maturity. Out of these premiums a considerable reserve will be built up by the time the extra risk will have to be borne by the office. It is interesting to note that theoretically the premiums for this kind of policy often decrease with the age provided that the term remain constant; hence it is usual for offices to quote the same rate for each term of policy irrespective of the age at entry, the stipulation being made, however, that the policy shall mature not later than a certain specified age, which is often fixed at 65.

A difficulty is met in connection with the surrender values of this kind of policy, owing to the fact that as the date of maturity approaches, the amount which could be allowed theoretically becomes greater than the death benefit. This trouble is overcome either by having the life assured medically examined before a full surrender value is allowed, or by paying in cash the surrender value of a corresponding endowment assurance for a sum assured equal to the death benefit under the double endowment, any balance of surrender value above this amount being utilized to purchase a paid-up pure endowment without return of premiums, payable only in the event of survival to the original date of maturity.

The commission allowed to agents in these cases is usually similar to that for ordinary endowment assurances, the basis of the initial commission being the sum payable in the event of death.

Guaranteed Bonus Policies

We shall conclude this chapter by a brief reference to a form of policy which, although it has a long history, only became popular in the early days after the close of the 1914-18 War. Owing to adverse circumstances arising from the war, many offices found it impossible to declare a satisfactory rate of bonus, and a demand arose on the part of the public for a contract guaranteeing fixed periodical increases in the sum assured. This demand was met by the "Guaranteed Bonus Policy," under which a definite increase is made in the sum assured in respect of each premium paid. For instance, in the case of a £2 per cent guaranteed bonus policy for £1,000, the sum assured from the outset would be £1,020. Immediately after the payment of the second annual premium the sum assured would be increased to £1,040, and these increases of £20 per annum would continue to be made throughout the whole duration of the contract. Both whole of life assurances and endowment assurances are issued in this form, and, from the office standpoint, these contracts are simply non-participating policies with sums assured increasing year by year. The increase varies from £1 per cent to £2 10s. per cent per annum, according to the particular office, although there is, of course, no limit to the bonus that can be guaranteed in these cases, since the assured will pay the appropriate premiums. Apart from the increasing sum assured, the terms of a policy of this class are similar to those of an ordinary non-participating whole of life assurance or endowment assurance, as the case may be.

CHAPTER IV

ASSURANCES ON MORE THAN ONE LIFE

IN the present chapter we pass to the consideration of assurances involving two or more lives.

Joint Whole of Life Assurances

Let us turn first to the joint whole of life assurance under which the sum assured is payable on the first death of two or more lives. These policies are issued either with or without profits and there is no limit to the number of lives that can be involved, the more persons covered by the policy the greater being the premium. Since the sum assured is payable on the first death it follows that all the lives must be medically examined. These policies are usually issued on the lives of a husband and wife or on the lives of two partners. The contracts are utilized in the latter case to replace the capital that becomes withdrawn from the firm on the death of the partner. If the partnership be dissolved a request is frequently made for the policy to be split into two single-life policies, each for one-half of the original sum assured. This alteration is usually allowed, the premium charged for each policy being the amount that the partner would have paid had he effected the policy upon his own life at the outset. It is possible for offices to acquiesce in requests of this nature, because the alteration involves practically no change in the reserves and cannot accelerate the payment of the sum assured.

Surrender values are allowed in the case of this type of policy, as well as the alternative benefit of having the policy converted into a paid-up assurance free from the payment of future premiums.

Policies of this nature are sometimes issued subject to the payment of a limited number of premiums, and in these cases it is usual for paid-up policies to be allowed on a "proportionate" basis.

Joint Life Endowment Assurances

The joint life endowment assurance provides for the payment of the sum assured on a specified date or on the first death, if that

occur previously. These policies are analogous to joint whole of life assurances and the remarks made under that heading will apply equally to joint-life endowment assurances. Paid-up policies are commonly granted in these cases on a "proportionate" basis similarly to other kinds of endowment assurances.

Joint Life Term Assurances

These contracts are very similar to ordinary single life term assurances, the sum assured being payable, however, upon the first death of two or more lives provided that occur during the specified period. No profits are allowed in the case of these policies, which are almost invariably effected in connection with partnership transactions.

The premiums being relatively small, no surrender values are granted in these cases.

The commission allowed to agents is similar to that for ordinary term assurances.

Last Survivor Assurances

Under this type of policy, which is issued either with or without profits, the sum assured is payable on the death of the last survivor of two or more lives. As in the case of joint life assurances there is no limit to the number of lives that may be included in the contract. In this instance, however, the converse holds with regard to the premiums, since the more lives introduced, the smaller becomes the cost of the policy. It is a special feature of this type of policy that a number of unsatisfactory lives can be included in the contract, provided that at least one life be eligible for assurance and that the premiums charged be based only on the eligible life, or lives, as the case may be. As an illustration, let us assume that a last survivor policy be required on four lives, only two of which prove to be eligible for assurance. The two bad lives could be included in the policy if desired and the premium charged would be that, or approximately that, for a last survivor assurance on the two satisfactory lives. It will be apparent from the foregoing remarks that if one or more persons to be included in a policy of this type be known to suffer from ill-health, it is only necessary to

have the others medically examined and to base the premiums charged upon these good lives.

These policies carry surrender values and in this connection it may be mentioned that, although these values are usually small in the early years, they receive considerable increases upon the death of each of the lives in respect of which the premium is charged.

Last Survivor Endowment Assurances

This type of policy, which is rarely issued, provides for the payment of the sum assured at the expiration of a specified term of years or at the death of the last survivor of two or more lives, should that occur previously. These contracts are analogous to ordinary last survivor policies and the remarks made under that heading apply equally to last survivor endowment assurances.

These policies carry surrender values and "proportionate" paid-up policies are allowed.

Contingent Survivorship Assurances

We now pass to contingent survivorship policies, a class of contract which assumes an immense variety of forms. The simplest of these provides for the payment of the sum assured only if the life assured predecease another life, technically known as the "counter life." If the counter life die first, the contract comes to an end and the premiums paid are forfeited to the company. The premiums for these policies are usually quoted on the basis of the age *next* birthday of the assured life and the age *last* birthday of the counter life—this provides a small margin of profit for the office since the older the counter life the smaller is the premium necessary to meet the risk. These assurances are invariably non-participating contracts. They are mainly effected in connection with reversionary transactions, the assured life being in most instances a young man and the counter life a person of advanced age. In cases such as these, where the counter life is much older than the assured life, the premiums payable are small. If, however, there is little difference between the ages the rate for this kind of policy approximates to that for a non-participating whole of life assurance on the assured life. In these circumstances, since no

surrender values are allowed for contingent survivorship assurances, it is far more satisfactory for a whole of life assurance to be effected which can be surrendered for a cash payment if at any time the need for the policy no longer exists. Since the premiums for contingent survivorship policies are relatively small, and the type of person assured is not considered to be so good as the average assured life, offices are more exacting in their requirements as to the eligibility of the life proposed for assurance in these cases than they would be under one of the more common forms of policy. The early death of the counter life does not involve the company in any loss, and it follows therefore that evidence of the state of his or her health is unnecessary.

The more complicated forms of contingent survivorship assurances are met with only at infrequent intervals. These policies vary considerably in detail and it is only possible to give a very brief indication as to their nature. Occasionally a request is made for a policy the sum assured by which is only to be payable if the survivor of two lives, X and Y, predecease a third life, Z. Alternatively the sum assured might be payable if either of the two lives, X and Y, predeceased Z. Again, a fourth life, W, might be introduced and the sum assured be payable only if the survivor of X and Y predeceased the survivor of Z and W. Sometimes the persons concerned must die in a specified order, for instance, it might be necessary for X to die first, Y second, and Z third, before the company would become liable to make any payment on the death of W. It will readily be appreciated that in the case of these complicated contracts, a variety of premiums may be charged, the amount of the premiums depending upon the status during which they are to be payable. In some instances the premiums are payable throughout the whole duration of the policy, but more frequently they are charged on the basis that they will cease on the first death, whether that death determine the contract or not. Occasionally the risk undertaken by the office is purely nominal, in which circumstances a single premium would be charged sufficient to cover the expenses and to provide the necessary underwriting profit.

In the case of a contingent survivorship policy, where the rate of premium is low and the proposal is only for a small amount, it

is often stipulated that the proposer shall pay the fee for the doctor's report.

No surrender values are usually granted in the case of this type of policy.

The agent's commission is generally similar to that allowed for the introduction of term assurances.

CHAPTER V

PURE ENDOWMENTS: CHILDREN'S POLICIES: ANNUITIES

THE present chapter deals with the more common types of contract involving either no actual assurance at all or else assurance to a limited extent only. Under this heading the following classes of policy are included—

- (a) Pure endowments—adult lives.
- (b) Children's endowments.
- (c) Educational endowments (known sometimes as educational annuities).
- (d) Children's deferred assurances.
- (e) Annuities.

Pure Endowments—Adult Lives

A pure endowment is a contract providing for the payment of a sum of money only in the event of the survivance of the person concerned to a specified date: If death occur previously the premiums paid are returned either with or without interest, or perhaps they may be forfeited to the company, according to the terms of the particular contract. Allowance is, of course, made when calculating the premiums for the manner in which the policy is to be dealt with in the event of death, the premiums for a "returnable" contract being naturally greater than those for the corresponding "non-returnable" policy. This type of policy is the converse of assurance against the risk of death. It aims only at providing a sum in the event of survivance to a given age and payment at death is either altogether absent or is limited to a return of the premiums either with or without interest. The policy has its uses in the case of a man, entirely without dependents, who wishes to assure a capital sum for old age provision or other purposes. In such a case the "non-returnable" form of the contract is the more logical choice, but we have to recognize the great repugnance

that exists to a contract under which all the premiums paid may be totally lost. The "returnable" policy is a concession to this feeling, and where the "non-returnable" form is chosen we may assume that the proposer has the strongest conviction that he will survive to the end of the term. An office, therefore, in calculating the premiums for this kind of policy will always assume that the lives concerned are in a particularly good state of health. As a rule, the maximum profit will be made by an assurance company from a pure endowment if the life die shortly before the date of maturity, and in the event of very early death its loss is limited to the amount of commission and the expenses involved in connection with the policy. Hence no medical examination is ever required in these cases. Policies of this kind are effected almost solely as a means of compulsory saving; at the present time however, these contracts are not popular, the small demand for them being to some extent due to the fact that they do not rank for rebate of income tax.

In the case of "returnable" contracts surrender values are allowed. It is interesting to note that in the case of this class of policy the amount of the death benefit determines to a great extent the amount which can be allowed on surrender. Where a return of all the premiums paid without interest is allowed in the event of death an arbitrary surrender value is usually quoted, often equal to all the premiums paid, excluding the first premium, less a small percentage. This percentage is usually a constant one of between 5 and 10 per cent. In cases where interest on the premiums paid is allowed in the event of death, a slightly lower rate of interest is usually allowed on the premiums paid in the event of surrender. Paid-up policies are granted as a rule on a "proportionate" basis. No surrender values are allowed in the case of "non-returnable" policies.

The commission allowed to agents for the introduction of this kind of policy is usually small, since the business is not so remunerative as the more usual kinds of policy. Although commission is sometimes allowed on renewal premiums the payment to agents is generally limited to a single sum at the outset of a percentage of the premium, this percentage often varying with the term of the policy.

Children's Endowments

Children's endowments are similar in nature to the pure endowments described in the preceding paragraphs. As the name implies, these policies are issued on the lives of children, the sum secured being usually payable upon the attainment of age 21 or 25, although occasionally a policy may mature at some other age. This type of contract is usually issued on a "returnable" basis, and since no life assurance protection is given it is customary to use interest functions only in calculating the premiums. In these circumstances the age of the child has no effect on the premiums, which vary only with the term of the policy. The main uses of the policies are to provide a sum of money in the case of a boy either for a present upon his coming of age, or for the purchase of a partnership, and in the case of a girl either for a present or for a dowry. For a slightly increased premium it is often provided that the payment of premiums shall cease upon the death of the person effecting the policy, who is usually a parent or a guardian of the child. This increased premium varies, of course, with the age of the parent or guardian. In such a case should the parent die no further premiums would be payable, but the contract would remain in force and the sum secured would be paid by the office on the date originally specified, provided, of course, that the child survived. It is unusual for the parent to be medically examined in these cases. Some offices, however, make a small charge in the premium for the absence of the usual examination.

Educational Endowments

An educational endowment is merely a child's endowment providing for the payment of the sum secured, by a number of periodical instalments. These instalments may be equal in amount or they may vary according to the manner in which it is anticipated that the expenses of the child's education will be incurred. The person effecting the policy can arrange for the first instalment to be payable upon the attainment of any suitable age, and if the child attain that age the payments continue whether the child live during the period covered by the instalments or not. As in the case of a child's endowment it can be arranged for the premiums to cease upon the death of the person effecting the policy.

The remarks with reference to surrender values, paid-up policies, and commission, made under the heading of pure endowments, apply equally to children's endowments and to educational endowments.

If comparison be made between an educational endowment with the premiums dependent upon the survivance of the parent, and an endowment assurance or a series of endowment assurances upon the parent's life providing for the same benefits (*see* note on endowment assurances in Chapter III), it will be found that the following are the main differences—

Circumstance.	Educational Endowment.	Endowment Assurance (or series of Endowment Assurances).
In the event of the parent's death.	The instalments are still payable upon the attainment by the child of the specified age.	The instalments (or the sum assured) become payable at once.
In the event of the child's death.	The premiums paid are returned either with or without interest (according to the particular contract).	The policy can be either continued or surrendered for a cash payment, as desired.

The premiums for the educational endowment will be slightly smaller than those for the corresponding endowment assurance. There is no doubt, however, that the endowment assurance is relatively cheaper. Not only do the instalments (or the sum assured) become payable upon the death of the parent, and thus become available for death duties or for the maintenance of the child, but rebate of income tax (which is not allowed in the case of an educational endowment), may, subject to the usual limitations, be obtained in respect of the premiums.

Children's Deferred Assurances

We now pass to the consideration of children's deferred assurances, a type of policy much encouraged by a large number of offices at the present time because of the foundation which it lays for a future clientele. As its name implies, this class of assurance is issued on the lives of children, the policy in its usual form providing that, in return for a level annual premium payable throughout the

whole duration of the contract, the sum assured shall be payable if the child die after attaining a specified age, which is generally fixed at 21 or 25. No risk is borne by the office in the meantime. Should the child die during the period of deferment, the premiums paid are returned either with or without interest, according to the terms of the particular policy, and the contract comes to an end. In the case of participating policies it is customary to allow bonuses only after the expiry of the deferment period, although at least one office allows profits from the outset. A glance at the prospectus of any office issuing this class of policy will show that the premiums are very low. For a slightly increased premium, payable during the deferment period, it is possible to have a clause inserted in the contract providing that the premiums payable up to age 21 or 25, as the case may be, shall cease on the death of the person effecting the policy (usually a parent or a guardian of the child). In these circumstances the premium for an ordinary deferred assurance would be payable after the assurance came into full force, whether the parent survived or not. This variation in the ordinary form of contract is useful to persons who do not wish the strain of the payment of premiums to fall on their estates in the event of their deaths. As an alternative, should the parent desire to present his son or daughter with a fully paid-up assurance at age 21 or 25, as the case may be, it can be arranged for the whole of the premiums to be paid before that age. Unless the period of deferment be very short it is unusual for a medical examination to be required, and practically the only bar to the granting of a deferred assurance at ordinary rates on the life of a young child is a defective family history. It is usually provided that as soon as the assurance comes into full force, the policy automatically becomes the property of the child and, in this way, it sometimes occurs that a person becomes the possessor of a valuable policy at a low premium at a time when, owing to impaired health, it would be impossible to effect a new assurance on any terms whatever.

Deferred assurances are usually issued as whole-of-life contracts but, in order to minimize the chance of the parent's effecting a form of assurance that may ultimately prove to be unsuitable, it is customary to endorse upon the policies several options, any one of which may be exercised when the assurance comes into force,

without evidence of health. The options allowed vary somewhat but the following are the more common—

1. To continue the payment of the original premiums, the policy being altered to an endowment assurance for a reduced amount. The choice of several different maturity ages for the endowment is usually given.

2. To continue the payment of the original premiums for a limited period, the policy remaining in force for a reduced sum assured payable at death.

3. To convert the policy into a paid-up whole of life assurance or a paid-up endowment assurance free from the payment of future premiums.

4. To surrender the policy for a cash payment.

Many offices include in their prospectuses rates of premium for deferred endowment assurances. These policies do not, however, as a general rule carry any options and for this reason they are seldom effected. In most instances it is more satisfactory for a parent to effect a deferred whole of life assurance for a larger amount, under which the option of converting to an endowment assurance will be available at the time when the assurance comes into force.

It is interesting to note that a person considering the advisability of effecting a child's endowment to mature at age 21 (say), by paying a slightly increased premium for a deferred assurance for an appropriate sum assured, can ensure the payment of the desired sum to his child at age 21 by exercising the "surrender" option. At that time, should the circumstances have altered, in lieu of receiving the cash payment he could avail himself of one of the other options included in the contract.

The surrender values granted in the case of these policies during the deferment period are usually fixed upon an arbitrary basis, similar to that adopted in the case of "returnable" pure endowments; the alternative paid-up policy values are often calculated by the "proportionate" method based upon the whole of life paid-up policy option. After the expiry of the period of deferment the surrender values and paid-up policies are assessed upon an actuarial basis.

Since the premiums payable in the case of deferred assurances

are small, it is usual for offices to pay in these cases only a proportion (often one-half) of the initial commission allowed on ordinary life assurances, no alteration being made in the renewal commission.

We shall now leave assurances for a moment and turn to annuities.

Immediate Single Life Annuities

The simplest form of annuity contract, the immediate single life annuity, is an agreement by the company that in return for a sum of money (called the "purchase money") it will make periodical payments of a specified amount during the remainder of the lifetime of a certain person (called the "nominee"). An annuity may be payable annually, half-yearly, quarterly, or at more frequent intervals, the half-yearly annuity being, however, the type most commonly granted. The more frequently the instalments are payable the greater becomes the cost of the annuity, since not only does the purchaser receive the payments earlier, but the expense of making such payments is heavier. An annuity may be either "apportionable" (or "complete") or "non-apportionable" (or "curtate"). In the former case the contract provides for a final proportionate payment, calculated up to the date of death, and in the latter case the annuity ceases with the last full periodical payment prior to the date of death. It may be mentioned at this point that in no case is it necessary for evidence of the state of health of the nominee to be obtained, unless it is proposed to grant specially favourable terms for an impaired life. In the absence of any special circumstances it is tacitly assumed that a nominee must be in a sound state of health, as otherwise the annuity would not be purchased. This "self-selection," as it is technically known, is found to be particularly efficacious, so much so that the longevity of annuitants is becoming notorious. Effect is given to this factor in calculating the rates for annuities, the purchase money being based on tables of mortality compiled solely from the experience with regard to this type of life. The purchase of an annuity forms a means by which a person of advanced age can materially increase his income, this increase being, of course, at the expense of his capital. Now, it is important to remember that each payment made by the

company under an annuity really represents more than interest on the outlay, a portion of the amount being of the nature of a return of capital. The fact that it is necessary, except in the case of small incomes, for the office to deduct income tax from the full amount of each instalment robs this type of investment of much of its attractiveness.

Joint Life Annuities

This type of annuity is issued on two or more lives, the payments ceasing at the first death. It is important when granting an annuity of this kind to make it quite clear to the parties concerned that the payments do not continue after the first death, since many people wishing to purchase an annuity, payable until the death of the survivor, refer to the contract as a "joint annuity." Joint life annuities are seldom granted.

Joint Life and Survivor Annuities

These contracts provide for payments to be made by the company until the death of the survivor of two or more lives. Occasionally a request is made for an annuity of this type under which the payments are to be reduced in amount after the first death, and possibly again after the second death if three lives are involved. These contracts sometimes resolve themselves into a combination of single life annuities—for instance, an annuity on two lives, the amount payable reducing to one-half on the first death is equivalent to two single life annuities, each for one-half of the amount required during the joint lifetime. This class of annuity is popular, since it forms a suitable means by which a husband can provide for himself during his lifetime and for his wife after his death.

Temporary Annuities

Annuities of all the foregoing types can be issued as temporary contracts, in which case payments cease at the end of the fixed period or at the failure of the specified status should that occur previously.

Deferred Annuities

Single life, joint life, and joint life and survivor annuities can all be issued as deferred contracts. The most common form, however,

is the single life deferred annuity. Under this type of contract the first payment is made by the company upon the attainment by the nominee of a certain age, or upon the expiration of a certain term of years if the nominee be then living. The annuity payments then continue until death. The premiums in these cases are payable either in a lump sum at the outset, or at periodical intervals during the deferment period. Should death occur before the annuity commences the premium or premiums paid are either returned by the company or retained, according to the particular form of contract. The premiums for a "returnable" annuity are, of course, greater than those for a corresponding "non-returnable" contract. In the case of a "returnable" annuity the premiums are sometimes returned without interest, but it is becoming a common practice for companies to allow interest at a low rate upon the premiums returned in the event of death. At the expiry of the deferment period and before any payment has been made under the annuity, it is customary to allow the annuitant the option of receiving a cash payment calculated upon a generous basis in consideration of the cancelling of the contract. These annuities are popular, since they form a suitable means of providing for old age. It is a distinct drawback, however, to this type of contract that under the present regulations the premiums are not allowed to rank for rebate of income tax. In many circumstances it is probably more advantageous for a person to effect an endowment assurance on his own life and to apply the policy moneys at maturity to purchase an annuity.

The fact that under a non-returnable deferred annuity no payment is made by the office in the event of the nominee's death before the commencing date, even though premiums may have been paid for a considerable number of years, has frequently led to much dissatisfaction on the part of the nominee's representatives. Accordingly offices are usually reluctant to issue such a contract by itself. The high rates of income tax ruling since 1939 have, however, led to the issue of a large number of these annuities in conjunction with annuities certain (*q.v.*, p. 103). The payments under the second contract remove to a large extent the objection just mentioned.

It is customary to allow surrender values in the case of "returnable" deferred annuities during the deferment period.

These values are usually calculated on a basis similar to that adopted in the case of "returnable" pure endowments, this type of annuity being in effect a pure endowment, securing the sum necessary to purchase the annuity at the end of the deferment period. Alternative paid-up annuities are also granted, usually upon a "proportionate" basis. This is the only class of annuity in which it is the practice to allow surrender values, and even in these cases a surrender is only allowed before the annuity commences. It is possible, however, that in some circumstances the surrender of one of the other types of annuity mentioned previously might be allowed as a special matter, if the nominee were found after medical examination to be in satisfactory health.

Annuities with Guaranteed Payments, Etc.

In the case of all the foregoing types of annuity an office is usually willing in consideration of an increased purchase money or an increased premium, as the case may be, either—

(a) To guarantee the payments for a definite fixed number of years; or

(b) To pay to the executors of the annuitant the balance of the purchase money that has not been already returned in the form of annuity payments.

The inclusion of either of these provisions in the contract meets the objections of persons who hesitate to purchase an annuity because they know that, in the case of an ordinary contract, should the nominee die shortly after the completion of the purchase, the whole of the money sunk would be lost.

Income tax is deductible from the whole of each payment, and accordingly it may often be more advantageous, particularly when the rate of tax is high, to obtain a similar benefit by means of an annuity certain in conjunction with a deferred annuity.

The commission allowed to agents for the introduction of any immediate annuities varies from 1 to 2 per cent of the purchase money, a slightly larger percentage being often allowed for deferred annuity contracts, subject to annual premiums.

Reversionary Annuities

This class of annuity differs considerably from the types of contract already mentioned. In its simplest form a reversionary

annuity provides that payments shall commence only if the nominee be alive at the date of death of a specified person. The instalments then continue until the death of the nominee. If the nominee die first the contract immediately comes to an end and the premiums paid are forfeited to the company. Premiums may be payable either in one sum at the outset or periodically during the joint lifetime of the two lives. Since the early death of the assured life imposes on the company the liability of making immediate payments under the annuity, it follows that he or she must be medically examined. This form of annuity is particularly suitable to the case of a husband wishing to provide a fixed income for his wife after his death, as by this means the largest possible income is provided for a fixed annual outlay. It is impossible to attain this object so satisfactorily by any other form of life assurance or annuity contract, but nevertheless reversionary annuities do not appear to be popular, probably because the whole of the premiums paid are lost if the nominee die first. Most people prefer to assure their lives for a definite fixed amount and to make provision in their wills for the investment of the sum assured. In this case the policy can, of course, be surrendered if the wife die and there be no further need for the assurance.

At very infrequent intervals a request may be received for a reversionary annuity of a more complicated character such, for instance, as an annuity payable to X, only if he or she outlive the survivor of Y and Z. In such a case it would, of course, be necessary for Y and Z to be medically examined.

No surrender values are allowed for this class of annuity.

It is impossible to give any definite indication as to the commission allowed to agents for the introduction of these annuities, since the practice of offices in this respect differs considerably. It would appear reasonable, however, to treat these annuities similarly to contingent survivorship assurances, since these two classes of contract are alike in character.

CHAPTER VI

PROPOSALS AND REPORTS

IN the present chapter and in that following we shall consider the forms of proposal and the various reports that are usually obtained by an office before an application for assurance is submitted to the directors for their approval or refusal, as the case may be.

Proposal Form

The "Proposal Form" is the basis of the contract and it is essential that it be framed in such a way as to elicit all the necessary information. In cases where the life to be assured will be medically examined certain questions which might be included in the proposal form can, of course, if so desired be left for the doctor to ask at the time of the medical examination. The questions to be asked in the proposal form must therefore be determined partly by the form of the Medical Report, since it is undesirable that questions appearing in the former should be duplicated in the latter. It must be remembered, however, that whatever questions it be decided to ask in the proposal form must be couched in simple and straightforward language, since a considerable proportion of those insuring their lives are not well-educated persons. In order to simplify the work of agents and to avoid unnecessary correspondence, it is desirable to make one kind of proposal form relate to as many classes of policy as possible. There is, of course, room for difference of opinion as to the length to which this argument can be carried. It may be mentioned, for instance, that several offices making it a practice to issue leaflets describing the characteristics of particular types of assurance, attach to each leaflet a form of proposal specially adapted to the policy concerned. The following kinds of proposal form would, however, be sufficient to enable a company to deal satisfactorily with all the classes of life assurance and annuity commonly granted at the present time—

- (a) For all types of assurance subject to medical examination.
- (b) For all types of assurance in connection with which it is

.....ASSURANCE COMPANY

Head Office :.....

PROPOSAL FOR AN ASSURANCE OF £.....

Description of Assurance required . . .	----- Whether with profits ----- or without profits -----
Are premiums to be paid annually, half-yearly or quarterly ? . . .	----- -----
1. (a) Name in full of the person proposing to effect the assurance . N.B.—If a female and married, please state maiden surname and also full name and profession or occupation of husband. (b) Address (c) Profession or Occupation (d) Nature and extent of interest in the Life Proposed (to be completed in cases where one person is proposing to assure the life of another)	(a) ----- Married or Single ? ----- (b) ----- (c) ----- (d) -----
2. (a) Name in full of the person whose life is proposed to be assured (herein called the Life Proposed) . . . N.B.—If a female and married, please state maiden surname and also full name and profession or occupation of husband. (b) Address (c) Profession or Occupation (d) Date of Birth (e) Place of Birth	(a) ----- Married or Single ? ----- (b) ----- (c) ----- (d) ----- Age next birthday ----- (e) ----- (Proof of age will be required before a claim is paid and it is suggested that this be produced at the outset.)
3. Has the Life Proposed ever suffered from any serious illness, disease or accident ? If so, give dates and particulars . . .	----- -----
4. (a) Does the Life Proposed usually enjoy good health ? (b) Is he in good health at the present time ?	(a) ----- (b) -----
5. (a) Are the habits of the Life Proposed sober and temperate ? . . . (b) Have they always been so ? . . .	(a) ----- (b) -----
6. Has the Life Proposed ever resided abroad ? If so, when, where, and for how long ?	----- -----
7. (a) Has the Life Proposed any prospect or intention of going abroad, or of engaging in any business or occupation more than usually hazardous, or of engaging in Naval or Military Service ? If so, give particulars .	----- -----

8. (a) Has the Life Proposed ever engaged in, or has he any prospect or intention of engaging in, Motor Racing, Gliding, Aviation in any form (other than as a fare-paying passenger by a regular air route) or in any other hazardous sport or pursuit? If so, give details.

(b) If he has ever engaged, or intends to engage, in Aviation as a fare-paying passenger on any regular air route, give details and dates. In what countries does he expect to fly and how many flights per annum does he expect to make?

(c) Has he ever belonged to, or has he any intention of joining, a Flying Club?

N.B.—The term "flight" means a stage and not a whole journey.

(a) _____

(b) _____

(c) _____

9. (a) Has any proposal on the Life Proposed ever been made to this or to any other Office?

(b) If so, state in each case the name of the Office, the date of the proposal, and whether it was accepted on the ordinary terms or postponed, declined, or withdrawn.

(a) _____

(b) _____

10. Name and address of the Medical Attendant of the Life Proposed to whom reference may be made.

11. Names, addresses, and professions or occupations of two intimate friends (not interested in the proposed assurance) to whom reference can be made.

Name _____	_____
Address _____	_____
Occupation _____	_____
How long known _____	_____

DECLARATION

I.....(the Life Proposed) do hereby declare that all the answers to the foregoing questions, numbered 1 to 11, both inclusive, are in every respect true and correct, and I agree that the Company may refer to the persons mentioned in my replies to questions 10 and 11.

Dated this.....day of19.....

Signature

and I.....(the person proposing to effect the assurance) do hereby declare that all the answers to the foregoing questions, numbered 1 to 11, both inclusive, are in every respect true and correct. And I do hereby agree that this Proposal and Declaration, and the answers to the questions asked by the Company's medical examiner with reference to this Proposal shall be the basis of the Contract between me and..... Assurance Company.

Dated this.....day of19.....

Signature.....

N.B.—(1) In the case of a person proposing to effect an assurance on his own life he is to sign in both places.

(2) The Company is under no liability in respect of this Proposal until it has been passed by the Directors at the Head Office, and the Company's printed form of receipt issued in exchange for the first premium.

necessary for the office to be satisfied that the life proposed for assurance is in good health, but where an actual examination is not insisted upon.

(c) For cases in which it is unnecessary to have any evidence as to state of health.

(d) For children's deferred assurances.

(e) For annuities.

Assurances Subject to Medical Examination

Let us consider first assurances subject to medical examination, which form the bulk of the ordinary life assurance business transacted at the present time. We have already seen that the proposal form and the medical report form are mutually dependent. If an office ask a large number of questions in its proposal form, then it need ask relatively few questions in the medical report form and *vice versa*. A short form of proposal is usually appreciated by the proposer and by the agent, whilst there is little doubt that a short form of medical report appeals to the medical examiner. The views of the managers of life assurance companies upon this question appear to vary, since the forms used by the offices differ very considerably. In these days of strenuous competition the tendency appears, however, to lie in the direction of shortening the proposal form as much as possible. However short the proposal form may be, it is essential that certain questions be asked, and the foregoing specimen form may be regarded as containing the minimum number of questions that can be included in a form applicable to all classes of assurance. It is, of course, quite impossible to draft standard forms suitable to the varying conditions of assurance companies, and the different forms included in this book must be considered merely as specimens included for the purpose of illustrating the principal points of interest arising in life assurance practice.

Question No. 1 is occasionally misunderstood by a person proposing to effect an assurance upon his own life—many people appear to be quite ignorant of the fact that it is possible for one person to assure the life of another. The question is very necessary, however, as many policies are taken out in this way, particularly in connection with financial transactions. An office will, of course,

satisfy itself, before agreeing to issue such a policy, that the person in whose name the policy is to stand has an insurable interest in the life proposed in accordance with the provisions of the Life Assurance Act, 1774. Many offices use a special form of proposal in cases where persons are assuring their own lives, omitting this question and the first portion of the declaration appearing at the foot of the specimen proposal form.

In question No. 2 it is essential that the occupation should be fully described as in some instances it is necessary, of course, for an extra premium to be charged on this account. As an example of an indefinite answer to this question, let us take the case of a person describing himself as "Engineer." Now, engineering in many instances is not particularly hazardous, but a marine engineer or a mining engineer would not necessarily be taken at the ordinary rate of premium. Similarly "Clerk" is, as a rule, the most innocent of occupations, yet a clerk in a brewery, who spent some of his time collecting accounts from publicans, would be charged an extra premium. Hence we see that the occupation must be stated definitely, and descriptions such as "Agent," "Merchant," "Commercial Traveller," etc., should be amplified. Special attention is paid to hazardous occupations, and it is usual for an office to ask for additional information in these cases. A list is given below of the commoner occupations that are considered to be more than usually hazardous from the point of view of life assurance, together with an indication as to the additional information that it is desirable to obtain.

(a) *Butchers.* Whether he takes part in the work of the slaughterhouse.

(b) *Brewers.* Whether in business for himself. If not, the name of the firm by which he is employed. Whether there is a public-house attached to the brewery. Whether his duties are confined strictly to the work of a technical brewer, or whether he calls at public-houses or hotels in connection with his occupation or is in any way connected with the sale of liquor.

(c) *Grocers in Scotland or Ireland.* Whether a licensed grocer or not. If licensed, whether any intoxicating liquor is sold on the premises in open vessels.

(d) *Mariners.* The rank of the life proposed, the name of the

vessel, and the names of the owners of the vessel. The places to which the ship trades and the cargo usually carried.

(e) *Naval Officers and Men.* Whether the life proposed has any prospect of engaging in submarine work or aviation.

(f) *Miners.* The kind of mine. Whether coal, lead, tin, etc.

(g) *Nurses.* The particular kind of work in which the life proposed is engaged.

(h) *Publicans and Hotel-keepers.* Full particulars are required with regard to the standing of the public-house or hotel. (Most offices do not encourage proposals on the lives of publicans, and even in the most favourable circumstances charge an extra premium.)

It should also be noted that in the case of a single woman it is the practice of some offices to inquire whether she is engaged to be married or not, this information being required to determine whether an extra premium is to be charged to cover the special risks incidental to a young married woman.

It will be seen that a note is placed on the proposal form suggesting that evidence of age should be produced at the outset. Although the production of evidence of age before the issue of a policy often saves considerable trouble, assurance companies are not in a position to insist upon this practice in general. In the case, however, of policies including specified options on certain fixed dates, it is customary to insist that the age shall be admitted at the outset, owing to the trouble that would arise in altering the contract should the age subsequently prove to be incorrect.

The evidence of age usually consists of a certificate of birth or baptism with the addition in the case of a married woman of a certificate of marriage, to identify her with the person mentioned in the certificate of birth or baptism. In some cases, particularly annuitants, whose age is almost invariably admitted before the issue of the policy or deed, it is necessary for the office to accept as evidence an entry in a family Bible. Extraordinary cases are, of course, sometimes met with where an office has to admit the age on the basis of what is really no evidence at all, a small extra premium over that required at the alleged age being sometimes charged for waiving the usual evidence.

It may perhaps be suitable to interpolate here a few remarks with reference to the practice of "dating back." Most assurance companies charge premiums according to the age next birthday of the life proposed at the date of entry into assurance. Occasionally a proposer delays to effect his policy until he has just passed a birthday, and wishes to have his policy dated the day prior to his last birthday in order that he may pay the smaller premium appropriate to the younger age. An office is usually willing to allow this in the case of ordinary life policies, subject to annual, half-yearly, or quarterly premiums, provided that the period of time elapsed since the last birthday be not more than two or three months. In doing so, the office is in effect setting the premium received in respect of a period during which it bore no risk against the loss of interest, due to the fact that the first premium has been paid in arrear. In the case of ordinary life assurances, subject to periodical premiums, these two factors may reasonably be assumed to balance. This would not be so, however, in the case of a single premium, the loss of interest on which would be relatively heavy. Hence an office would not as a rule, without charging interest, date back more than a few days a policy effected by the payment of a single premium. Similarly, in the case of pure endowments and capital redemption policies and cases in which the mortality risk is absent or insufficient to set against the loss of interest on the first premium, an office would not usually allow a policy to be dated back more than a few days without charging interest on the premium.

The answers to question No. 5 are generally "Yes." The whole matter is a question of standard, as most people live up to their own estimate of sobriety. The question is, however, necessary as it is essential that some statement with regard to habits be included in the declaration in order to protect the office.

If, in the answer to question No. 7, a person gives the slightest hint of a prospect of proceeding outside the temperate regions, the company will include in the letter, advising the passing of the proposal and in the policy, a clause providing for the payment of an extra premium in the event of his going beyond certain specified limits, usually known as the "Free Limits of Residence." These limits vary slightly but the following are typical of those quoted with

very slight modifications by a considerable number of assurance companies—

Any place between 60° and 30° north latitude and between 60° and 30° south latitude, Egypt (as far south as the Second Cataract), the Holy Land, Madeira, the Canary Isles, or any part of the South African Union south of 25° south latitude, Australia and New Zealand.

In the case of naval or military service an office usually either charges a moderate extra premium, payable continuously until retirement, or provides for the payment of an extra premium, to be fixed by the directors in accordance with the circumstances, if the life assured goes outside Great Britain on service. Aviation involves a heavy risk and as this means of transport is still in its infancy the statistics available are scanty and do not form a very reliable guide to the future. The majority of offices have recently agreed upon a uniform basis of approach to the problem of assessing the extra risk, but practice still varies between companies, and each individual case is assessed separately according to the amount of flying expected. When the answers to question No. 8 indicate that flying, otherwise than as a fare-paying passenger, is probable a supplementary form has to be completed by the Life Proposed giving details of his intentions, qualifications and past experience, and his flying instructor may be asked for a report.

Unequivocal answers are required to question No. 9 and in cases where the information disclosed is unsatisfactory, an office will make further inquiries before proceeding to arrange for the medical examination.

Question No. 10 is necessary to enable the office to obtain further information in doubtful cases as to illnesses from which the life proposed may have suffered. A typical form for use in this connection will be given later.

In view of the confidential nature of the relations between a medical man and his patient it is essential that the attention of the Life Proposed should be drawn to the possibility of a reference by the office to the medical attendant and his consent obtained.

Forms which will be described subsequently are forwarded to

the persons named in the answer to question No. 11, and occasionally some useful information is elicited thereby.

The proposal form closes with the declaration, in which both the person proposing to effect the assurance and the life proposed state that the answers to the various questions are correct, and the former agrees that these answers and the answers to the questions asked by the company's medical examiner shall be the basis of the contract. This matter will be referred to again, when the question of the drafting of policies is considered.

"Non-Medical" Schemes

The form described above is typical of the shorter proposal forms used by assurance companies in cases where the life proposed is to be medically examined. In connection with "non-medical examination" schemes it is necessary to use a form of proposal including in addition to the questions already specified, inquiries with regard to personal and family history which, in ordinary circumstances, would be included in the medical report form. These additional questions which would be in tabular form would be similar to the following—

1. What is (a) the height of the Life Proposed ?
(b) his weight, and is it increasing, decreasing, or stationary ?
2. Has the Life Proposed any bodily infirmity ?
3. (a) Has the Life Proposed been vaccinated ?
(b) Has he had small-pox ?
4. On how many occasions during the last five years has the Life Proposed been absent from his occupation through illness for more than a week ?
5. Has the Life Proposed ever suffered from —
 - (a) Rupture ?
 - (b) Faints, fits of any kind, or any nervous disorder ?
 - (c) Spitting of blood or other haemorrhage ?
 - (d) Any affection of—
 - (1) Heart ?
 - (2) Lungs ?
 - (3) Liver ?
 - (4) Kidney ?
 - (5) Any other important organ ?
 - (e) Ear discharge ?
 - (f) Tuberculous affection ?
 - (g) Rheumatism or gout ?
 - (h) Any other disease, accident or surgical operation ?

If so, state date, nature, and duration of illness and give the name and address of the medical attendant (if any) to whom the Company may refer.

6. Family History. State the particulars required in the following table with regard to each of the members of the Life Proposed's family.

RELATIVE.	IF ALIVE.		IF DEAD.			
	Age.	State of Health. ¹	Age at Death.	Cause of Death.	Duration of Illness.	Year of Death.
Father . .						
Mother . .						
Brothers .						
Sisters . .						

¹ In any case where the health is not good, the nature of the defect should be stated.

7. Have any near relatives of the Life Proposed died of, or been afflicted with Gout, Insanity, or Consumption? If so, give particulars.

These additional questions are required for the purpose of enabling the principal medical officer of the company to decide whether he shall advise the directors that the proposal may be passed at ordinary rates or not. If, from the answers to the questions, there appeared to be the slightest doubt as to the eligibility of the life proposed for assurance upon the ordinary terms, a report, a specimen of which will be found on page 79, would be forwarded to the private medical attendant. If this did not clear up the difficulty the office would insist upon a medical examination in the usual way. We see, therefore, that although an office may allow a person to complete a "non-medical examination" proposal form, it does not thereby agree to grant him a policy without medical examination. It will only do so if all the questions are answered to the satisfaction of the directors. At the present time all companies do not issue "ordinary" assurances without medical examination, and the terms of the schemes of those which do grant policies in this way differ considerably. The majority of "non-medical examination" schemes apply only to the case of a person assuring his own life, and question No. 1 of the specimen proposal form, given on page 60, together with the first part of the declaration, being inappropriate, would be excluded from a form of proposal designed solely for use in connection with such a scheme.

All these schemes are limited to persons under a certain age which is usually fixed at 50. Persons over that age wishing to assure would have to be medically examined in the usual manner. Some offices will only grant endowment assurances or double endowment assurances without medical examination, whilst others will issue whole of life assurances in this way. A maximum sum assured, varying from £250 in the case of one office to a very large sum indeed in another, is always imposed, and although most companies pay the full sum assured from the outset, a few allow only a relatively small proportion of the full sum assured in the event of death during the first six months, this proportion increasing thereafter, whilst the full sum assured becomes payable should the life assured die after the assurance has been in force for one year. The additional questions asked in the proposal form for a scheme of this kind are similar to a number of the questions included in the medical report form used in ordinary cases, and any special points concerning them will be mentioned under the heading of "Medical Reports."

Assurances under Married Women's Property Act

At the present time large numbers of policies are taken out by husbands for the benefit of their wives, under the Married Women's Property Act, 1882, and the Married Women's Policies of Assurance (Scotland) Act, 1880. Before issuing a policy in this form the office obtains a request, signed by the proposer, stating the exact circumstances in which he desires his wife to benefit under the contract. These circumstances vary, of course, with the type of policy, and the wording of the request differs accordingly. The following are specimen wordings suitable to cases which are met with fairly commonly in practice—

(a) WHOLE OF LIFE ASSURANCE. "I desire the assurance to be issued under the Married Women's Property Act, 1882, for the benefit of my wife.....*née*.....should she survive me, but otherwise for my own benefit."

(b) ENDOWMENT ASSURANCE. 1. "I desire the assurance to be issued under the Married Women's Property Act, 1882, for the benefit of my wife.....*née*.....should she be living at the date when the Sum Assured becomes payable, but otherwise for my own benefit."

2. "I desire the assurance to be issued under the Married Women's Property Act, 1882, for the benefit of my wife.....*née*.....should I die before the date of maturity of the policy, leaving her surviving, but in any other event for my own benefit."

Occasionally an application is made for the issue of a policy for the benefit of a wife in which the husband and the wife are appointed joint trustees of policy moneys. The following would be a suitable form of request for use in such a case—

I.....(*the proposer*).....request that the assurance be issued under the Married Women's Property Act, 1882, for the benefit of my wife.....*née*.....should she survive me, but otherwise for my own benefit. And I hereby appoint my said wife to be a trustee of the policy moneys for the purpose of the eleventh section of the said Act jointly with myself and I the said.....(*the wife*).....signify my concurrence in the said request and appointment by appending my signature hereto.

Dated this.....*day of*.....19.....

Witness.....(*Signature of Proposer*).....
Witness.....(*Signature of Wife*).....

Private Referee's Reports

After the receipt of a proposal by an assurance company, the index of lives assured is searched in order to ascertain whether any previous proposals have been received upon the life or not. Before dealing with any application for a new policy, reference would, of course, be made to the papers in connection with any earlier proposal. The next proceeding is to dispatch to the friends whose names have been given in the proposal, forms which are usually known as "Friends' Reports" or "Private Referee's Reports." These forms are useful for obtaining information with regard to the habits of the life proposed, his prospects of going abroad, or of engaging in a hazardous occupation. Inquiry is also made as to past illnesses. All sorts of replies are received to the questions in these report forms, varying from praise to innuendoes. Sometimes the office is met with a blank refusal, in which case it is necessary to apply to the proposer for the name of another friend. Very useful information is sometimes disclosed although, in most instances, the answers are simply "Yes" or "No," as the case may be. Any doubtful answers are, of course, cleared up by correspondence. Occasionally a medical practitioner is given as a referee. A note placed on the form to the effect that the doctor is referred to as a friend and not in his professional capacity, will often avoid an application for a fee. The form shown on the next page is typical of the form used by many offices for making inquiries from private referees.

Confidential.

.....ASSURANCE COMPANY

.....19

DEAR SIR,

A proposal has been made to this Office to effect an assurance on the life of..... of..... and your name has been given as one of the proposer's referees. The Directors will be much obliged if you will kindly favour them with replies to the following questions.

Any communication which you may make will be treated as confidential.

Yours faithfully,

To.....

1. How long have you known the person whose life is proposed for assurance ? .	-----
2. Are you in the habit of seeing him frequently ?	-----
3. (a) When did you see him last ?	(a) -----
(b) Was he then in good health ?	(b) -----
(c) What is the general state of his health ?	(c) -----
(d) Do you believe that he is now in good health ?	(d) -----
4. Has he to your knowledge at any time suffered from any illness ? If so, give particulars	-----
5. (a) Is he strictly sober and temperate in his habits ?	(a) -----
(b) Has he always been sober and temperate ?	(b) -----
6. (a) Has he any prospect or intention of proceeding beyond the limits of Europe ?	(a) -----
(b) Are his circumstances such as are likely to lead him to go abroad ?	(b) -----
7. Are you acquainted with any reason why an assurance on his life would be more than usually hazardous ?	-----
8. Are you related to him, or have you any interest in the proposed assurance ?	-----

Dated this.....day of.....19.....

(Signed).....

If, from the answer to question No. 1, it appeared that the referee had known the life proposed for only a very short time, a further name would be asked for. A similar course would be adopted if the referee were in the habit of seeing the life proposed only infrequently or if they had not met for a considerable time.

If a hesitating answer or a suggestion be given in the reply to question No. 4, a letter sent to the private medical attendant may help to settle the difficulty.

A doubtful answer to question No. 5 will, in most cases, be cleared up by a tactful letter sent to the referee. Should his reply be unfavourable, recourse may be had to other sources of inquiry.

Agent's Confidential Report

When a proposal for assurance is introduced by an agent it is customary for the office to request him to complete a form known as the "Agent's Confidential Report." These forms are similar in character to the private referee's reports but include several additional questions. The following specimen form will give an idea as to the type of questions asked—

.....ASSURANCE COMPANY

AGENT'S CONFIDENTIAL REPORT

1. How long have you known Mr. whose life is proposed for assurance ? .	.....
2. Are you in the habit of seeing him frequently ? . . . . .	.....
3. When did you see him last ? . . . .	.....
4. Have you ever known or heard of his being indisposed ? If so, state the nature of the illness and when it occurred . . .	.....
5. Do you think that he possesses a sound and unimpaired constitution ? . . .	.....
6. Is it within your personal knowledge that his habits and manner of living are strictly temperate and are in no way injurious to health ? . . . .	.....
7. Has he to your knowledge any prospect or intention of going beyond the limits of Europe ? . . . . .	.....
8. What is your opinion as to his financial position ? . . . . .	.....
9. What is the object of the proposed assurance ? . . . . .	.....
10. Can you state from personal knowledge that the referees are respectable, and their testimonials entitled to credit ? .	.....
11. Do you find the answers in the proposal consistent with your own knowledge ?	.....

Signature of Agent.....

Date.....19.....

Address.....

These forms do not as a rule elicit any very useful information. Presumably an agent does not introduce a proposal unless he is satisfied as to the general surroundings of the case.

Medical Report

After having obtained the private referees' reports and the agent's report, the office next proceeds to get into touch with the medical examiner unless, of course, the proposal is under a "non-medical examination" scheme. In all the principal towns an assurance company has its appointed physicians, who at the time of their appointment are instructed with regard to the special matters in connection with medical examinations to which the office attaches importance. The large offices also employ doctors to make examinations at the head office ; in some cases the doctor is in attendance during the whole of the day, but in most instances examinations are made only at stated hours.

As mentioned previously, the proposal form and the medical report form are in very close relationship, and the questions included in the latter depend to a very great extent upon what has already been asked in the former. The company's principal physician would, of course, be consulted in connection with the drafting of the medical report form, and any points to which he attached special importance would no doubt be embodied in the form. The main questions, however, included in the medical report forms of the various companies are very similar, the chief differences between the forms lying in the questions which are suitable for inclusion in either the proposal form or the medical report form, according to the opinions held by the persons responsible for the management of the respective offices. Although there is room for a difference of opinion as to the particular form in which a question should be included, there is general agreement that certain questions are essential, and the specimen, as shown on page 74 and page 75, may be regarded as a typical medical report form, suitable for use in conjunction with the proposal form already described.

The questions in the medical report form fall into two categories :
(a) those which the medical examiner puts to the examinee ; and
(b) those which the examiner answers himself. At the foot of the

Confidential.

.....**ASSURANCE COMPANY**

MEDICAL REPORT

1. Name of person whose life is proposed for assurance	-----
2. What is his age ?	-----
3. (a) Has he been vaccinated ? . . .	(a) -----
(b) Has he had small-pox ?	(b) -----
4. For what ailments has he consulted his usual medical attendant, especially during the last five years ?	-----
5. Has he consulted any other medical man ? If so, on what occasions and for what diseases ?	-----
6. Has he ever suffered from—	
(a) Rupture ?	(a) -----
(b) Faints, fits of any kind, or any nervous disorder ?	(b) -----
(c) Spitting of blood or other haemorrhage ?	(c) -----
(d) Any affection of (i) heart ?	
(ii) lungs ?	
(iii) liver ?	(d) -----
(iv) kidneys ?	
(v) Any other important organ ?	
(e) Any affection of the ear ?	(e) -----
(f) Any tuberculous affection ? . . .	(f) -----
(g) Rheumatism or Gout ?	(g) -----
(h) Any other disease, accident, or surgical operation ?	(h) -----

7. Family History. State the particulars required in the following table with regard to each of the members of the Life Proposed's family.

RELATIVE.	IF ALIVE.		IF DEAD.			
	Age.	State of Health. ¹	Age at Death.	Cause of Death.	Duration of Illness.	Year of Death.
Father						
Mother						
Brothers						
Sisters						

¹ In any case where the health is not good, the nature of the defect should be ascertained and stated.

8. Have any of the near relatives of the Life Proposed died of or been afflicted with Gout, Insanity, or Consumption ? If so, give particulars	-----
--	-------

I hereby declare that the foregoing answers are to the best of my knowledge and belief true and correct.

Signature of person whose }
life is proposed for assurance }
Dated thisday of.....19.....

MEDICAL REPORT—(contd.)

9. (a) Are you personally acquainted with the Life Proposed for assurance? If so, how long have you known him?	(a) -----
(b) Have you ever attended him professionally? If so, on what occasions and for what complaints?	(b) -----
10. (a) What is his general appearance?	(a) -----
(b) What is his apparent age?	(b) -----
(c) What are his height and weight? (These should be ascertained by actual measurement and it should be stated whether the weight given includes the weight of clothes.)	(c) Height ----- ft. ----- ins. Weight ----- st. ----- lbs.
(d) Is the weight increasing, decreasing, or stationary?	(d) -----
(e) What is the circumference of the chest?	(e) On full inspiration ----- On full expiration -----
(f) What is the circumference of the abdomen?	(f) -----
11. (a) Is the heart normal to percussion and auscultation?	(a) -----
(b) What are the character of the pulse and its rate?	(b) -----
(c) Do the arteries present any signs of degeneration? (In cases where the age of the Life Proposed is 50 or over and in any case where there are signs of arterial degeneration, the systolic blood pressure estimated by the sphygmomanometer should be stated.)	(c) -----
12. (a) Is the chest well developed?	(a) -----
(b) Are all the physical signs in the chest normal?	(b) -----
13. (a) What is the specific gravity of the urine?	(a) -----
(b) Is it free from albumen and from sugar?	(b) -----
(c) Is it otherwise normal in all respects?	(c) -----
14. (a) Are the abdominal organs and digestive functions normal?	(a) -----
(b) What is the condition of the tongue?	(b) -----
15. Is there any history or evidence of syphilis, gonorrhoea, or constitutional disease?	-----
16. Do you observe anything leading you to suspect intemperance?	-----
17. If a female—	
(a) Is she married? If so, how long has she been married?	(a) -----
(b) Is there any history of uterine disorder or of severe confinements?	(b) -----
(c) Has she borne children? If so, how many?	(c) -----
(d) Is she now pregnant? If so, when is the confinement expected?	(d) -----
18. Do you find that the proposal, the replies to the letters of reference, and the agent's report call for any special observation?	-----
19. (a) Is the Life Proposed in your opinion eligible in every respect for assurance at ordinary rates?	(a) -----
(b) If not, please state what is the defect	(b) -----
20. Are there any special features in the case, concerning which information may not be elicited by the foregoing questions?	-----

Dated this.....day of.....19.....

first series of questions the person examined signs a declaration stating that to the best of his knowledge and belief the answers that he has made are true and correct. Incidentally, his signature is useful for comparison with that appearing on the proposal form, the office being able in this way to identify the person actually examined with the life proposed for assurance. In cases where the life proposed was not well-known to the office or to the agent it would be possible, if he were suspicious that his health was not satisfactory, for him to arrange for another party to impersonate him at the medical examination, and the obtaining of the examinee's signature is to some extent a safeguard against this kind of fraud.

Question No. 2, apart from helping to identify the examinee with the life proposed and from its use in connection with question No. 10 (b), is occasionally of assistance in the case of persons who are not too sure of their age and date of birth. Where the stated age in the proposal form and the date of birth do not agree it is often possible for the discrepancy to be cleared up by reference to the medical report.

If the answer to both sections of question No. 3 is "No," it is the practice of many offices to include in the policy a clause to the effect that the contract will be void if the life assured die from small-pox or its effects, in which case the premiums paid would be returned without interest. Alternatively, a small extra premium, probably 5s. per cent per annum, would be charged and the risk would be covered. At the present time the number of persons who object to vaccination upon principle appears to be growing. In deference to their views, and because of the relatively small number of deaths now caused by small-pox, it seems likely that in the near future this question will be omitted and that offices will accept this risk without extra premium.

In the event of any serious illness being disclosed by the answers to questions No. 4 to 6, it is probable that reference would be made to the private medical attendant for further information. The personal medical history is asked for in considerable detail in question No. 6. Specific diseases are mentioned as they may help to recall some illness almost forgotten.

The year of death of relatives asked in question No. 7, apart from assisting the medical examiner to determine the possible effect of

the cause of death on the health of the life proposed is useful to enable the office to detect any error in the information with regard to family history.

The diseases mentioned in question No. 8 are "gout, insanity, and consumption." The information asked under this heading varies, some offices including "cancer" whilst others omit "gout." What is asked in this connection depends largely upon the views held by the principal physicians of the company. Where isolated cases only have occurred of near relatives suffering from gout, insanity, or cancer it is unusual for an office to charge an extra premium if the life is otherwise unexceptionable. It is almost a universal practice, however, to impose an extra premium if either of the parents has suffered or died from consumption, unless the life proposed has passed middle age.

The questions to be answered by the medical examiner do not call for any comment. It may perhaps be mentioned, however, with regard to question No. 19, that some offices ask the doctor to classify the life under various headings, of which the following are typical—

CLASS A. "Good Lives," i.e. unexceptionable lives, or those in which the unfavourable circumstances are so slight as to form no impediment to assurance at ordinary rates.

CLASS B. "Invalid Lives," i.e. cases in which the unfavourable circumstances arising from present condition or from personal or family history are such as to require an extra premium.

CLASS C. "Uninsurable Lives," i.e. lives where the objections are such as to render it inexpedient for an assurance to be granted upon any terms.

Medical Attendant's Report

It may be necessary to apply to the proposer's medical attendant in certain cases, for example, where the office is doubtful about an illness from which the proposer has suffered or where the sum assured is exceptionally large. A special form, somewhat similar to the medical report form but excluding everything except personal history and condition of health, is kept for this purpose and a typical specimen is given on page 79.

The only question calling for any comment is No. 8. Under this heading inquiry is made with reference to any specific illness concerning which the office is desirous of obtaining information. The great point to be borne in mind with regard to the medical reports

is that full details must be obtained in any doubtful cases for the guidance of the principal medical officer who advises the directors as to the ultimate fate of the proposal. The report form would incorporate a letter on the following lines—

.....ASSURANCE COMPANY

DEAR SIR,

.....19.....

A proposal for assurance has been made to this company on the life of..... He has told us that you are his Medical Attendant and we have his permission to write to you for information. We shall be much obliged if you will kindly favour us at the earliest opportunity with replies to the questions given overleaf. It will be unnecessary for you to see the Life Proposed before replying.

On receipt of your report, which will be treated as strictly confidential, we shall have pleasure in forwarding the usual fee of £1 1s.

Yours faithfully,

To.....

.....

Doctors' Fees

It will be convenient to interpolate here a few words with regard to the fees paid to doctors for medical examinations in connection with life assurance. These fees are regulated by an arrangement which the life assurance offices have with the British Medical Association, and the amounts payable are upon the following scale—¹

INDUSTRIAL OFFICES. Fee to be a minimum of 5s. or 10s. 6d. according to the form of report asked for.

INTERMEDIATE OFFICES, i.e. the ordinary branches of industrial offices and ordinary offices which issue policies whose average amount is small. Fee for policies up to and including £100 to be 10s. 6d.; over £100, one guinea.

ORDINARY OFFICES. A flat rate of one guinea whatever the amount of the policy.

The companies pay larger fees for cases in which exceptional trouble has to be taken or in which the opinion of a consultant is required.

In cases where a report is required but no medical examination, the fee is usually one guinea for ordinary assurances and 10s. 6d. for children's deferred assurances.

¹ At the time of going to press a new arrangement is being negotiated; as a temporary arrangement these fees have been increased by 50 per cent.

MEDICAL ATTENDANT'S REPORT

1. How long have you known Mr. _____ ?		
2. Are you in the habit of seeing him frequently?		
3. Are you his usual Medical Attendant? .		
4. Has he suffered from Rupture, Fits of any kind, Spitting of Blood, any affection of the Heart, Lungs, Liver, or Kidneys, Rheumatism, Gout, or any other disease, accident, or surgical operation? . . .		
5. Have you any reason to suspect that any near relatives have been afflicted with or died of any hereditary or constitutional disease?		
6. For what illnesses have you attended him?		

Nature of Illness.	Date.	Duration of Illness.

7. (a) Are his habits and manner of living sober and temperate and such as are in no degree likely to produce injurious effects on his health?	(a) _____
(b) Have they always been so? . . .	(b) _____
8. (Special Question.)	
9. Are you aware of any special circumstances concerning which information has not been already given, which might be considered material in connection with Life Assurance? If so, please give particulars	
10. (a) Is he in your opinion eligible in every respect for assurance at ordinary rates?	(a) _____
(b) If not, please state what is the defect	(b) _____

Dated this.....day of.....19.....

(Signature).....

In spite of the foregoing arrangement it is advisable, however, to state the amount of the fee, when writing to the doctor to arrange for a medical examination, as this may prevent in some cases an application for a larger sum.

The papers relating to the case being now complete they would be scrutinized by the actuary or other officer responsible for the underwriting of life assurance business, who would consult the principal physician if any unfavourable features were disclosed in the reports. The case would then go before the directors for their final decision.

Reassurance

If the proposal were for a very large amount, it would be necessary to reassure a certain portion in accordance with the principles explained in Chapter I. The actual amount to be retained by the company at its own risk would be decided by the directors after a full consideration of all the circumstances of the case, a larger amount being held if the life were absolutely first-class than if the case presented certain unsatisfactory features. If it were decided to reassure a part of the contract, copies of all the papers would be made, and a complete set of them would be forwarded to each office with which it was desired to effect a reassurance, accompanied by a letter stating—

- (a) The maximum amount of sum assured offered ;
- (b) The class of assurance ;
- (c) The rate of premium ;
- (d) Whether the proposal is to be accepted at ordinary rates or not ;
- (e) Whether the reassurance is offered at the rate of premium of the principal office or not ; and
- (f) The amount that the principal office is retaining at its own risk
 - (i) under the present policy ; and
 - (ii) under previous policies.

A special printed form is kept by most offices for this purpose, which usually closes with a paragraph asking for a reply as soon as possible, such reply to state whether the guaranteeing office will hold itself on the risk concurrently with the principal office for the amount accepted or for any smaller amount. In the case of offices

PROPOSAL FOR REASSURANCE

MADE BY THE

.....ASSURANCE COMPANY
TO
.....

Life to be reassured.	Name.....
	Address.....
	Profession or Occupation
Date of Birth.....19..... Age next birthday.....	
Whether admitted.....	

Particulars of original assurance.	Sum assured £..... With.....Profits.....Premium £.....%
	Class..... Term.....
Amount to be reassured.	£..... With.....Profits at.....Premium of £.....
Date of commencement of risk.	
Amount retained by Assurance Company.	Under above-mentioned assurance. £..... Under previous policies. £.....
Mode in which reassurance is to be effected.	
Rate of commission.	

For all particulars with regard to age, health, habits and other information relative to the life to be reassured, reference is made to the copies of the proposal and other documents which have been furnished, and it is understood that the.....in accepting the risk shall do so on the same conditions and regulations as those on which the.....Assurance Company grants the original assurance, and shall allow the same rate of bonus and surrender value or paid-up policy and follow theAssurance Company in regard to the payment of any claim under the original assurance.

Dated this.....day of.....19.....
For theAssurance Company.

which have agreed to follow the rules given in Chapter I, it is unnecessary to mention any conditions attaching to the offer of the reinsurance, but where either of the offices does not come under the operation of these rules the terms upon which the reinsurance is offered would be stated. Later on, when the first premium had been paid a special proposal form kept for this purpose, of which a specimen is shown on page 81, would be completed and forwarded to each guaranteeing office, together with a cheque for the first premium, less commission and a proportion of the stamp duty on the original policy.

Most of the items are self-explanatory. It should perhaps be pointed out that the form is drafted to apply to a "with-profit" reinsurance and that suitable alterations would need to be made when using it in connection with a "without-profit" contract. In such a case the word "out" would be inserted in the space between "With.....Profits" and the words relating to bonus would be deleted from the statement at the foot of the form. It is essential for the date of the commencement of the risk to be included, since the guaranteeing office goes on the risk automatically as soon as the first premium is received by the principal office. In the space against the words "Mode in which reinsurance is to be effected" would be inserted either "By guarantee" or "By direct policy." In this respect it should be mentioned that a reinsurance is usually effected in either of two ways: (a) by a guarantee endorsed on a copy of the original policy issued by the principal office; or (b) by a direct policy issued by the guaranteeing office. It will be noted that in the statement at the foot of the form, the guaranteeing office is required to follow the terms and conditions of the principal office with regard to bonuses, surrender values, and paid-up policies. These stipulations are made in the more common cases where the reinsurance is offered at the rate of premium of the principal office. If, however, the reinsurance is offered at the rate of premium of the guaranteeing office the regulations of that office with regard to bonuses, surrender values, and paid-up policies will usually apply and the form will be altered accordingly. In cases where the reinsurance is effected by way of guarantee, it is customary for the principal office to forward to the guaranteeing office, together with the reinsurance proposal form and

the first premium, two copies of the original policy. One copy, after being endorsed with the guarantee, is returned to the principal office, the other copy being retained for reference.

Intimation of Passing of Proposal

To revert now to the original proposal, as soon as the necessary cover was forthcoming from the guaranteeing offices, the proposer would be advised of the result of his proposal. The forms of letter used by offices for the purpose of intimating the passing of proposals (technically known as "Letters of Acceptance") differ considerably in detail. The following specimen is, however, very similar to the forms used by several companies; by making slight alterations it can be adapted to suit most of the types of policy at present issued—

DEAR SIR (OR MADAM),

I have the pleasure to advise you that the proposal for an assurance of £.....with.....profits on the life of.....
.....has been submitted to the directors and that they are prepared to issue the desired policy at the.....premium of £.....

The first premium should be paid at once as the Company will be under no liability until the premium is paid. Furthermore, should any unfavourable change take place in the state of health of the life proposed for assurance between the date of the proposal and the date of payment of the premium, the circumstances must be communicated to the Company in order that the Directors may reconsider the proposal. If the premium be not paid withindays from the above-mentioned date it will not be accepted without satisfactory evidence of the continued good health of the life proposed for assurance.

As it is desirable that the age of the life proposed for assurance should be admitted at the outset, the necessary evidence should be produced as soon as possible.

Yours faithfully,

With regard to the blank spaces in the first paragraph the following points may perhaps be mentioned—

(a) *Sum Assured*—

(i) In the case of instalment policies it is desirable to specify how the sum assured is to be payable, e.g. "£500, by five annual instalments of £100 each."

(ii) Where there is a variable sum assured as, for instance, in the case of a decreasing term assurance, a special letter on the

lines of the foregoing specimen would be written, stating the sum assured for each year and the corresponding premiums.

(b) In the space after "with" the word "out" is written in the case of non-participating contracts—this makes the position quite clear at the outset, so that there can be no subsequent misunderstanding with regard to the question of participation in profits.

(c) In considering the information to be placed in the space relating to the life assured, joint-life assurances, last survivor assurances, and contingent survivorship assurances must be borne in mind. In the first case "life" must be altered to "joint lives"; in the second case after "life of" the words "of the survivor of" would be inserted; and in the third case the wording would be similar to the following: "On the life of.....against the life of....."

(c) In the space before "premium" the words "annual," "half-yearly," "quarterly," etc., would be inserted according to the circumstances, as well as any other word necessary to meet special cases. Taking as an example a Reduced Early Premium Policy, the wording would be similar to the following: "At the reduced annual premium of £ : : payable for the first five years followed by an enhanced annual premium of £ : : payable thereafter."

The space after the first paragraph is for use in special cases, such for instance as proposals passed at other than the ordinary rates of premium or subject to special restrictive conditions. Additional premiums are usually charged either on medical grounds or for reasons of hazardous occupation or foreign residence, whilst the causes of restrictive conditions are in most cases either a probable hazardous occupation or prospective foreign residence. As an alternative to charging an extra premium an office may be willing to grant a policy at ordinary rates subject to a certain reduction in the sum assured, if death occur within a specified period. This reduction, which is commonly known as a "Contingent Debt," may be constant or it may decrease year by year. The particular type of debt is usually fixed by the office in accordance with the incidence of the extra risk. It is of some interest to note that in the case of a policy subject to a contingent debt, abatement of

income tax is not allowed on any premium in excess of 7 per cent of the actual sum for which the company is liable from time to time.

Offices have widely varying methods of intimating to proposers the fact that it has been found necessary to impose an extra premium. In this connection, therefore, it is only possible to make suggestions. To deal first with an extra premium for reasons of ill-health, the following three methods have been adopted by certain offices—

(i) Add after the amount of the premium the words “which includes an extra premium of £ : : equivalent to the addition of.....years to the age.”

(ii) Simply insert the word “special” in the space before premium e.g. “at the special annual premium of £ : : .”

(iii) Use the wording “at the special annual premium of £ : : which includes an extra premium of £ : : .”

Probably (iii) is as good a method as any of conveying the information. In the case of a decreasing contingent debt under a “with-profit” policy, the following would be a suitable form of wording for inclusion in the space provided: “The policy will be subject to a debt of £.....for the first year, such debt decreasing by £.....at the end of each year until in the event of death after the end of the.....year the full sum assured of £.....would become payable. Any bonuses attaching to the policy would be reduced in the same proportion as the sum assured.” In the case of extra premiums imposed for reasons of hazardous occupation or foreign residence, the following specimen forms of wording will serve to indicate the manner of dealing with these types of extra premium—

(i) An extra premium for naval service included in the premium charged: “At the special annual premium of £ : : which includes an extra premium of £ : : to cover the risks incidental to naval service. This extra premium will be removed upon permanent retirement from the Navy.”

(ii) An extra premium to be imposed later if the life assured go beyond the “Free Limits of Residence,” mentioned on page 66: “The policy will provide for the payment of an extra premium to be fixed by the Directors should the life proposed for assurance

go beyond the 'Free Limits of Residence' mentioned at the foot of this letter." The "Free Limits" would be quoted in a footnote.

The number of days allowed for payment of the first premium varies considerably, some offices allowing thirty days, others restricting the period to fourteen days. If the premium were not paid within the specified time, and the life proposed applied within a reasonable period thereafter, he would probably be allowed to complete the contract after signing a declaration of continued good health. Should he apply to complete the assurance after the lapse of some months the office might insist on a fresh medical examination. The declaration of continued good health is usually couched in terms somewhat similar to the following—

.....ASSURANCE COMPANY

DECLARATION OF CONTINUED GOOD HEALTH

I HEREBY DECLARE THAT—

(i) Since my last proposal for assurance dated.....
I have not suffered from any illness or consulted a medical practitioner.

(ii) I am now in good health.

(iii) No alteration has taken place in my family history.

*(iv) My life has not been proposed for assurance to any other Office.

And I agree that this Declaration shall be taken together with the Proposal as the basis of the contract between me and theAssurance Company.

Dated this.....day of.....19.....
(Signature).....

* If a proposal has been made to another Office since the date of the Proposal to this Company, section (iv) should be struck out and the following information given—

- (a) The name of each Office and the dates of the proposals; and
- (b) How the proposals were dealt with.

If the life proposed is able to complete the form satisfactorily he will be allowed to pay the premium, and the office will be forthwith on the risk.

Should the directors, when the proposal papers are placed before them, not see their way to grant an assurance, a tactful letter is sent to the proposer intimating the decision and the papers are filed for future reference.

Policies on Two or More Lives

All the forms and reports, previously mentioned, are required in connection with the various single-life assurances described in Chapter III. We shall now refer briefly to the special points arising in respect of the classes of policy mentioned in Chapter IV, involving two or more lives.

Let us deal first with joint-life assurances and last survivor assurances. In these cases whether the contract be in the form of a whole of life assurance, an endowment assurance, or a temporary assurance, a proposal form will be required in respect of each life involved. Each person will sign the first portion of the declaration at the foot of the particular proposal form applicable to himself. The persons effecting the assurance will sign the second portion of the declaration on each form. For the purpose of the various reports each life would be treated similarly to the life proposed under an ordinary single-life policy. As mentioned in Chapter IV it would, of course, be unnecessary to obtain any medical or other reports in respect of an uninsurable life, included for special reasons in a last-survivor assurance, but excluded for the purpose of ascertaining the premium to be charged.

In the case of a contingent survivorship assurance a separate proposal form and the usual reports are required in respect of each assured life except where the risk is purely nominal. As an example of a nominal risk an actual case may be mentioned, under which the sum assured was only to be paid if the survivor of twelve lives, aged 21 and upwards, predeceased one life of greater age than any of the assured lives. It is quite unnecessary in such a case to have the assured lives medically examined ; in fact it is probable that no evidence of health would be required at all. In some instances, where not quite so many lives are involved, a statement by the private medical attendant of each of the persons would be accepted. It is sufficient for the full name, address, and profession or occupation of the counter life or counter lives, as the case may be, to be written on the proposal forms in a blank space, together with information as to the age last birthday and the date and place of birth. The first portion of the declaration on each proposal form would be signed by the life concerned, the second portion in each case being signed by all the parties effecting the assurance.

CHAPTER VII

PROPOSALS AND REPORTS (*contd.*)

IN the previous chapter a description was given of the various forms and reports used for cases in which it is essential for the company to be satisfied as to the state of health of the life proposed for assurance. We shall now consider forms of proposal applicable to policies involving either no actual life assurance at all or else assurance to a limited extent only. The types of policy included under this heading were described in Chapter V and are as follows—

- (a) Pure endowments—adult lives.
- (b) Children's endowments.
- (c) Educational endowments (known sometimes as educational annuities).
- (d) Children's deferred assurances.
- (e) Annuities.

Dealing first with pure endowments on adult lives, children's endowments and educational endowments, which are similar in nature, it is obvious that, as these types of policy involve no actual life assurance, it is quite unnecessary for the office to ask any questions in the proposal form with regard to personal and family history. The proposal form is therefore very simple, as will be apparent from the specimen shown on page 89, which may be regarded as typical of those used for these kinds of contract.

The form includes all the questions that it is necessary to ask in connection with a pure endowment, whether in the case of an adult or of a child, or an educational policy, where the premiums are payable for a definite fixed period. The questions are self-explanatory and need no comment. As mentioned previously, it is often desired in the case of a child's endowment or an educational policy that the premiums shall cease to be payable in the event of the death of the person effecting the policy, who is generally a parent or guardian. It is, of course, necessary for information to be furnished with regard to the personal and family history of this life. Attached to the pure endowment proposal

form is usually a supplementary declaration for completion in these cases, asking all the questions included in a "non-medical examination" life proposal form. It is unusual to require a medical examination, although this may be necessary in a special case.

*Pure Endowments and
Educational Endowments*

.....ASSURANCE COMPANY

Head Office :

PROPOSAL FORM

Description of Policy Required.	Sum Proposed £----- Or Amount of each Instalment £-- and Number of Instalments-----	Age at which the endowment or the first instalment is to become payable-----
1. (a) Name in full of the person proposing to effect the endowment	(a) -----	
(b) Address	(b) -----	
(c) Profession or Occupation	(c) -----	
(d) Relationship to person proposed	(d) -----	
2. (a) Name in full of the person upon whose life the endowment is to depend	(a) -----	
(b) Address	(b) -----	
(c) Occupation (if an adult)	(c) -----	
(d) Date of Birth	(d) -----	
(e) Place of Birth	(e) -----	Age next birthday----- (Proof of age will be required before the endowment is paid and it is suggested that this be produced at the outset.)
3. (a) Name in full of the person to whom the endowment is to be payable	(a) -----	
(b) Address	(b) -----	
(c) Occupation	(c) -----	
4. (a) Name in full of the person to whom the premiums are to be returned should the person upon whose life the endowment is to depend die before the endowment becomes payable	(a) -----	
(b) Address	(b) -----	
(c) Occupation	(c) -----	

DECLARATION

I.....(the person proposing to
effect the endowment) do hereby declare that all the answers to the foregoing
questions numbered 1 to 4, both inclusive, are in every respect true and correct,
and I do hereby agree that this Proposal and Declaration shall be the basis of the
Contract between me and theAssurance Company.

Dated this.....day of.....19.....

(Signature).....

Children's Deferred Assurances

Let us now turn to children's deferred assurances. The form of proposal used in these cases is very similar to the ordinary life proposal form under a "non-medical examination" scheme with the omission, for obvious reasons, of certain inappropriate questions, such, for instance, as those relating to habits. A specimen proposal form for this class of policy is shown on pages 92 and 93.

Little need be said with regard to the proposal form, as most of the points requiring comment have been dealt with under the heading of assurances subject to medical examination or assurances under a "non-medical examination" scheme. Attention may, however, be drawn to the note concerning proof of age. As mentioned previously, these policies usually include a number of options, and, in order to avoid the possibility of troublesome alterations, most offices insist that the age shall be proved at the outset. It is a provision of this class of contract that the policy shall become the property of the life assured at the end of the deferment period, and it will be noted that the declaration at the foot of the proposal form is drafted in such a way that the person effecting the assurance makes the declaration on behalf of the life proposed for assurance as well as on his own behalf. Where, as is sometimes the case, it is provided that the premiums during the deferment period shall cease upon the death of the person effecting the policy, it is necessary for a supplementary declaration to be completed, similar to that used in the case of children's endowments subject to premiums dependent upon the survivance of the parent or guardian.

At no time during the existence of a pure endowment, or of an educational policy subject to the payment of a definite fixed number of premiums, does the office run any risk of paying a large sum upon death. Hence no medical or other reports are ever required in respect of the life upon which the endowment depends. The position in the case of a child's deferred assurance is to a certain extent similar. During the deferment period the office is not at risk in respect of the policy and, although it eventually becomes liable to pay the full sum assured, in most instances by that time a very considerable reserve has been accumulated out of the premiums already paid. Partly on this account, and also because

of the fact that medical examinations of young children are not considered to be satisfactory from the point of view of assurance, it is unusual in these cases to have the child examined, whilst, for obvious reasons, the private referees' reports are inapplicable. It may be thought desirable, however, to apply to the private medical attendant for a report or to have the life medically examined, if any information of an untoward nature be disclosed in the proposal. Occasionally an application is made for a policy of this type under which the period of deferment is to be short such, for instance, as a deferred assurance to commence at 21 on the life of a boy aged 18 next birthday. In a case similar to this, which is comparatively rare, a medical examination would probably be insisted upon because the deferment period would not be long enough to enable the office to accumulate any substantial reserve against the liability that it would have to assume when the boy attained age 21. Where, in the case of a child's endowment or a child's deferred assurance, the subsidiary benefit of making the payment of the premiums dependent upon the survivance of an adult life is included, it may be necessary on rare occasions to resort to a report from the private medical attendant or even to have the life medically examined. Private referees' report forms would be issued in respect of this life, but as a rule no other reports would be obtained.

From the foregoing remarks it will be apparent that, apart from the exceptions mentioned, proposals for policies of these types are ready for submission to the directors for approval as soon as they are received by the office. The form of "acceptance letter," given on page 83, can be used. It would be advisable in the case of a deferred assurance to insert the word "deferred" before "assurance." An alteration would also be made in the last paragraph making it clear that the age would have to be proved before the issue of the policy. In the case of an ordinary pure endowment, child's endowment, or educational endowment, the whole paragraph relating to the payment of the first premium, being inappropriate, would be deleted and a short sentence would be substituted informing the proposer of the number of days allowed for the completion of the contract. If, however, the premiums were dependent upon the survivance of a parent, this paragraph would

Child's Deferred Assurance

.....ASSURANCE COMPANY

Head Office :.....

PROPOSAL FOR £.....

Description of policy required, i.e. Whole of life or Endowment Assurance—if the latter, state age at which the policy is to mature.	..... ..... .....	Assurance to commence at age.....
<p>1. (a) Name in full of the person proposing to effect the assurance N.B.—If a married woman please state maiden surname and also full name and profession or occupation of husband.</p> <p>(b) Address</p> <p>(c) Profession or Occupation .</p> <p>(d) Relationship to Life Proposed .</p>	<p>(a)</p> <p>(b)</p> <p>(c)</p> <p>(d)</p>	
<p>2. (a) Name in full of the person whose life is proposed for assurance (herein called the Life Proposed)</p> <p>(b) Address</p> <p>(c) Date of Birth</p> <p>(d) Place of Birth</p>	<p>(a)</p> <p>(b)</p> <p>(c).....Age next birthday.....</p> <p>(d).....(Proof of age will be required before the policy is issued.)</p>	
<p>3. Has the Life Proposed ever suffered from any illnesses? If so, give dates and particulars</p>	<p>.....</p>	
<p>4. (a) Is the Life Proposed healthy? (b) Has he any bodily infirmity? .</p>	<p>(a)</p> <p>(b)</p>	
<p>5. (a) Is there any present prospect or intention of the Life Proposed going abroad or entering the Army, or Navy, or engaging in aviation? If so, give particulars</p>	<p>.....</p>	

6. Family History. State the particulars required in the following table with regard to each of the members of the Life Proposed's family.

RELATIVE.	IF ALIVE.		IF DEAD.			
	Age.	State of Health. ¹	Age at Death.	Cause of Death.	Duration of Illness.	Year of Death.
Father . .						
Mother . .						
Brothers .						
Sisters . .						

¹ In any case where the health is not good, the nature of the defect should be stated.

7. Have any near relatives of the Life Proposed died of or been afflicted with Gout, Insanity or Consumption ? . . . .	.....
8. (a) Has any proposal on the Life Proposed ever been made to this or to any other office ? .	(a)
(b) If so, state in each case the name of the office, the date of the proposal, and whether it was accepted on the ordinary terms, or postponed, declined, or withdrawn	(b)
9. Name and address of the Medical Attendant of the Life Proposed to whom the Company may refer.	..... .....

DECLARATION

I.....(the person proposing to effect the assurance) do hereby declare that the life proposed for assurance is in good health, and I do hereby declare on behalf of myself and of the life proposed for assurance that all the answers to the foregoing questions, numbered 1 to 9, both inclusive, are in every respect true and correct, and I agree that this Proposal and Declaration shall be the basis of the Contract of Assurance hereby proposed.

Dated this.....day of.....19

(Signature).....

remain, being suitably altered and words somewhat similar to the following would be inserted in the space after the amount of the premium: "limited to a maximum of.....payments but ceasing, however, upon the death of....."

Annuities

In considering what questions it is necessary to ask in the proposal form for an annuity it will be sufficient to remember that, whatever be the type of annuity, the early death of the nominee cannot involve the office in any loss—of course, in the majority of cases, the death of the nominee shortly after the purchase of an annuity is a source of considerable profit to the office granting the contract. It follows, therefore, that little information is necessary with regard to the nominee, and the specimen given below will show that the annuity proposal form is very short. Although many offices use a special form of proposal for deferred annuities, it is quite possible to deal with all types of annuity upon the basis of a common proposal form, since the main questions asked are the same in each case. The specimen form shown on page 95 is very similar to those of a number of assurance companies, and it could be used for any kind of annuity.

Little need be said with regard to the information required by the form, the questions being mostly self-explanatory. The terms "apportionable" and "non-apportionable" are explained in a note appearing at the foot of the form. It is, of course, essential that the age of the nominee be admitted before any payment is made under an annuity, and production of evidence of age is usually insisted upon at the outset. It will be noted that the signatures appended to the proposal form are required to be witnessed. It is necessary for these signatures to be authenticated, so that subsequent signatures to receipts can be compared with the originals and any chance of fraud minimized. In the case of a reversionary annuity, in addition to an annuity proposal form in respect of the nominee, an ordinary life proposal form is completed, giving particulars of the person upon whose death the annuity payments are to commence (the assured life). The first portion of the declaration would be signed by the assured life, the second

.....ASSURANCE COMPANY

Head Office :.....

PROPOSAL FOR THE PURCHASE OF AN ANNUITY OF £.....

Description of Annuity.	Whether payable by half-yearly or quarterly instalments?	Whether the annuity is to be immediate or deferred . . . If the latter, please state— (a) the age at which the annuity is to commence . . . (b) whether premiums are to be paid annually, half-yearly, quarterly or by a single payment . . . (c) whether premiums are or are not to be returned in the event of death during the deferment period . . .
	Whether apportionable or non-apportionable? . . . (See note below ¹)	
1. (a) Name in full of the person proposing to purchase the annuity . . . (a)		
(b) Address (b)		
(c) Profession or Occupation . . . (c)		
2. (a) Name in full of the person to whom the annuity is to be payable (if other than the person named in the reply to question No. 1) . . . (a)		
(b) Address (b)		
(c) Profession or Occupation . . . (c)		
3. (a) Name in full of the person during whose life the annuity is to be payable (a)		
(b) Address (b)		
(c) Profession or Occupation . . . (c)		
(d) Date of Birth (d)		
(e) Place of Birth (e)		
N.B.—A Certificate of Birth (or Baptism) must be produced. In the case of a married woman or a widow, the maiden surname must also be stated, and a Certificate of Marriage produced.		

Dated this.....day of.....19.....

Signature of	Signature of the person proposing to purchase the annuity.....
Witness.....	
Signature of	Signature of the person to whom the annuity is to be payable (if other than the person proposing to purchase the annuity).....
Witness.....	
Signature of	Signature of the person during whose life the annuity is to be payable
Witness.....	

N.B.—A person proposing to purchase an annuity on his or her life should sign in the first two places.

¹ An apportionable annuity ceases with a final proportionate payment calculated up to the date of death. A non-apportionable annuity ceases with the last full periodical payment prior to the date of death.

portion being signed by the person or persons proposing to purchase the annuity. If the first payment under the annuity were to be made on the death of the survivor of two or more lives, a life proposal would be completed in respect of each of these lives.

Except in the case of an impaired life, where it is intended to grant specially favourable terms, no medical examination of the nominee is ever required. The assured life or assured lives as the case might be under a reversionary annuity would, however, be medically examined and all the reports applicable to an ordinary life assurance proposal would be obtained. No reports are necessary in respect of any other type of annuity. Few offices grant annuities to such an extent as to necessitate the use of a special form for intimating the passing of proposals. To indicate the type of " acceptance letter " issued by offices, specimen wordings are given below.

An ordinary immediate single life annuity—

We have the pleasure to inform you that the Directors have to-day passed the proposal for a non-apportionable annuity of £ : : payable by half-yearly instalments of £ : : during the remainder of the lifetime of..... whose age has been admitted. We shall be glad to receive a cheque for the purchase money of £ : : as soon as possible.

For a reversionary annuity—

We have the pleasure to inform you that the Directors have to-day passed the proposal for a non-apportionable annuity of £ : : payable by half-yearly instalments of £ : : the first to become payable six months after the death of.....(*the assured life*).....provided that.....(*the nominee*).....be then living, the annuity to continue throughout the remainder of her lifetime. The annual premium payable during the joint-lifetime of the persons mentioned above will be

The first premium should be paid at once as the Company will be under no liability until the premium is paid. Furthermore should any unfavourable change take place in the state of health of.....(*the assured life*).....between the date of the proposal and the date of payment of the premium, the circumstances must be communicated to the Company in order that the Directors may reconsider the proposal. If the premium be not paid within.....days from the above-mentioned date it will not be accepted without satisfactory evidence of the continued good health of.....(*the assured life*).....

The ages of the lives will be admitted.

It is, of course, assumed in each of the foregoing cases that satisfactory evidence of age had already been produced. It will be noticed that the stipulations made with regard to the payment of the first premium under a reversionary annuity are similar to those made in the case of an ordinary life assurance.

CHAPTER VIII

MISCELLANEOUS TYPES OF ASSURANCE

THE present chapter will be mainly devoted to what may be termed “miscellaneous” types of policy, viz.—

- (a) Assurances against issue.
- (b) Name and arms assurances.
- (c) Sinking fund policies (also known as leasehold or capital redemption policies).
- (d) Annuities-certain.
- (e) Group life assurances.

Brief mention will also be made of “disability (or invalidity) benefits” and certain special schemes of assurance. The principal features of the various types of policy will be described, and the main points arising in connection with office procedure will be indicated. The forms of proposal, etc., already described, will not be applicable in the case of policies incorporating disability benefits and in the case of some special schemes.

Assurances Against Issue

Assurances against the risk of issue usually arise in connection with reversionary transactions. Contracts of this nature are invariably issued on an indemnity basis to cover what is generally a nominal risk, but nevertheless an obstacle in the way of a sale or a mortgage. For instance, let us suppose that a young man is to inherit under his grandfather's will a certain estate on the death of an uncle, provided, however, that the uncle die childless. The uncle is aged 65, his wife being of the same age and at the present time they have no children. The nephew wishes to borrow on security of his reversionary interest. It is clear that if the uncle have an heir the interest of the nephew will at once become valueless. Hence, before a person would lend money on such a security, he would require a policy indemnifying him to the extent of his advance in the event of an heir being born to the uncle by his present or any future wife. Evidence of the state of health of the wife would be obtained by the office, and if this proved to be satisfactory the

chance of issue to the husband would be small. If, however, she were in bad health the risk would be materially increased, since in the event of her death her husband might marry a young wife and possibly have an heir. In this connection the moral risk must not be overlooked. Assurances against the risk of issue are not always simple in nature, but the example given will serve to indicate the circumstances in which the need for these policies arises and the kind of risk covered. Although a policy of this type may occasionally be issued in the case of a widower or a bachelor of advanced age, the circumstances most commonly met with are those of a married man with a wife beyond child-bearing age. If the wife be in good health the risk of issue to the husband by his present or a future wife is very small, and an assurance would be readily granted. Difficulty might, however, be found in obtaining cover for a more speculative risk. Since the risks of this type underwritten are for the most part nominal, these policies are usually subject to single premiums of moderate amount.

Policies of this class do not carry surrender values.

It is impossible to give any definite indication as to the commission allowed to agents in respect of these cases. Policies are issued at infrequent intervals and there is no uniformity of practice in the matter. The premiums usually charged do not admit of any large profit, and hence any commission allowed would inevitably be small. Five per cent of the premium would be a reasonable fee.

Formerly it was frequently the case that the office issuing the policy was also purchasing the reversionary interest or lending on its security; attention having been drawn by the Courts to the fact that a policy issued by an office to itself is unenforceable at law, the practice has been largely discontinued.

In the case of most offices these assurances are not sufficiently numerous to need a special printed form of proposal. The proposal usually takes the form of a statement giving the necessary particulars with regard to the risk, together with information as to the ages and state of health of the persons concerned, followed by the ordinary declaration signed by the party or parties effecting the policy. Some offices, however, find it convenient to keep a printed proposal form for these policies and the questions asked are similar to the following—

.....ASSURANCE COMPANY

Head Office :.....

PROPOSAL FOR A POLICY OF INDEMNITY AGAINST ISSUE

1. State the maximum amount of the Indemnity required	-----
2. State the precise nature of the risk against which the indemnity is required	-----
3. (a) Names in full of the person (herein- after called the proposer) in whose favour the indemnity is to be effected	(a) -----
(b) Address	(b) -----
(c) Profession or Occupation	(c) -----
(d) Has the proposer a pecuniary interest in the risk against which the assur- ance is to be effected? If so, what is the nature and extent of the interest?	(d) -----
4. (a) Name or names in full of the person or persons against birth of issue to whom the indemnity is required	(a) -----
(b) Address	(b) -----
(c) Profession or Occupation	(c) -----
(d) If married, give date of marriage	(d) -----
(e) Are there any children? If so, give particulars of number and dates of birth	(e) -----
5. (a) What are the ages next birthday of the persons mentioned in the answer to question 4 (a)?	(a) -----
(b) What are the dates and places of their birth?	(b) -----
6. Have the persons mentioned in the answer to question 4 (a) any pecuniary interest in the happening of the event against which the assurance is to be effected?	-----
7. What are the names and addresses of the ordinary medical attendants of the per- sons mentioned in the answer to question 4 (a) to whom the Company may refer?	-----

DECLARATION

*I, the above-named.....(the proposer)
do hereby declare that the foregoing answers are in every respect true and correct,
and I do hereby agree that this proposal and declaration shall be the basis of the
contract between me and the.....Assurance Company.*

Dated this.....day of.....19.....

(Signature of Proposer).....

The questions included in the form are self-explanatory. The procedure after receipt of the proposal will vary according to whether evidence of health is required with regard to any of the lives or not. If evidence of health be necessary, a certificate by the private medical attendant will in most instances be deemed sufficient, since it is generally impossible to arrange for an actual examination. Should the premium be small it may be stipulated that the medical fee shall be payable by the parties effecting the policy. It is unusual for any other reports to be required. The letter intimating the passing of the proposal would be simple in character and the following wording may be regarded as typical—

I have pleasure in advising you that the Directors have passed the proposal for an assurance
(description).....at the single premium of £ :

Please note that the premium should be paid within.....days and that the Company will be under no liability until the premium is paid. Furthermore, should any circumstances affecting the risk occur before the payment of the premium, information must be given to the Company in order that the Directors may reconsider their decision.

Name and Arms Assurances

In common with assurances against issue, "name and arms" assurances are almost invariably required in connection with reversionary transactions. As the name implies, these contracts are issued to indemnify the assured against loss up to a certain maximum amount, in the event of a specified person changing his name and ceasing to bear a certain coat of arms. Similar assurances are occasionally required to cover the risk of a person changing his religion. It is, of course, obvious that no company would grant a policy of this nature unless the person concerned had good reasons for not making the change in question. The risk in all these cases being nominal it follows that single premiums are almost invariably charged, these premiums being generally quite small in amount.

The remarks made under the heading of assurances against issue, with regard to surrender values and to the payment of commission, will apply equally to this class of policy.

The proposal would be a statement giving the necessary information concerning the risk and the persons concerned, followed by

the usual declaration signed by the parties effecting the assurance. It would, of course, be necessary to make inquiries concerning the general surroundings of the case before placing the papers before the directors. The "acceptance letter" would be similar in form to that given under the preceding heading.

Sinking Fund Policies

These policies are also known as Leasehold Policies and Capital Redemption Policies. As mentioned on page 3, these contracts do not come within the definition of life assurance. Sinking fund policies are, however, described here partly on account of their general interest but also because the Assurance Companies Act, 1909, requires that in certain circumstances they shall be treated very similarly to life assurances. A sinking fund policy provides that the office shall pay a certain fixed sum of money on a specified date in consideration of a single premium or of periodical premiums. No life assurance protection whatever is included in the contract, interest being the sole element involved. If the person effecting the policy die before the date of maturity, his executors can either keep the contract in force for the original period or they can surrender the policy for a cash payment. The surrender values of this kind of policy are always guaranteed and are usually a fairly large percentage, say 95 per cent, of all premiums paid, excluding the first year's premium accumulated with compound interest at a fairly low rate, often $2\frac{1}{2}$ per cent. These policies are usually taken out either to replace the money originally expended in the purchase of leasehold property or to redeem debentures or securities of a similar nature at the end of a fixed term of years.

The rates for this class of policy usually include only a small margin for profit, and consequently it is customary to allow to agents a relatively small commission payable at the outset only. Sometimes this commission is a constant percentage of the premium, whilst other offices allow a percentage which varies with the term of the policy.

The proposal form is very simple, the only information needed being the name, address, and profession or occupation of the

person proposing to effect the policy, a description of the policy and a statement as to how the premiums are to be payable. As no risk is involved, no reports are, of course, required. These policies are not issued in any great numbers, and hence no printed form of "acceptance letter" would as a rule be kept. The following wording would be suitable for intimating to the proposer the passing of the proposal—

I have the pleasure to advise you that the Directors have passed your proposal for a 50-year sinking fund policy at the annual premium of £

I shall be glad to receive a cheque for the first premium at your early convenience.

Annuities-Certain

A contract of this type is similar in nature to a series of sinking fund policies, effected by single premiums. In return for a certain purchase money the office agrees to make periodical payments of a fixed amount usually annually, half-yearly, or quarterly for a specified term of years, after the expiration of which the annuity ceases. It should be borne in mind that each periodical payment really represents interest on the money invested, together with a return of a portion of the purchase money, and a schedule is issued by the office showing how each periodical payment is made up.

Income tax is deductible only from the interest portion of each payment. With the high rates of tax ruling since 1939 these contracts have become increasingly popular in conjunction with non-returnable deferred annuities (q.v., p. 56) as an alternative to annuities with guaranteed payments and even to immediate annuities.

It is difficult to give any indication as to the commission paid to agents for the introduction of these cases, since the practice of offices in this matter varies. Logically the same commission should be allowed as for a corresponding series of sinking fund policies. Some offices, however, pay the same rate of commission as for ordinary life annuities.

The proposal form for sinking fund policies can also be used for annuities-certain. No reports of any kind would be necessary.

The following wording would be suitable for intimating the passing of a proposal—

I have the pleasure to advise you that the Directors have passed your proposal for an annuity-certain of £ : : payable by half-yearly instalments of £ : : for a period of.....years.
I shall be glad to receive a remittance for the purchase money of £ : : at your early convenience.

Group Life Assurances

This type of assurance business, although carried on extensively in America for some years past, is only a recent introduction into this country. As the name implies, these policies cover groups of lives, a specified benefit being payable in certain contingencies in respect of each life included in the contract. By this means an employer can assure the payment of a certain sum at the death of each of his employees and, except in the case of persons of advanced age, without any evidence of health. The group method can be applied to almost any kind of assurance: whole of life, endowment, term, or to annuities. The remarks in this section will be confined to term assurances, as few offices in this country do group business upon a whole of life or endowment basis; group annuities will be dealt with in the next section.

Since no medical examination is required of the bulk of the lives, it is important that an employer effecting a policy of this class should be unable to exercise any adverse selection against the office. In consequence, it is generally stipulated that either all the employees of the firm or else all the members of some homogeneous section shall be included. Furthermore, it is unusual to grant a policy of this type assuring less than 100 employees, although occasionally the minimum limit is fixed at 50 persons. It need hardly be pointed out that the attitude of an office towards a proposal for this kind of assurance will be influenced considerably by the class of business carried on by the employer and the occupation factor will, of course, be taken into consideration in assessing the premium to be charged. In order to minimize the risk of assuring any lives in an advanced stage of disease, it is usually provided that only those employees who are actually engaged in their ordinary duties at the time of the issue of the policy shall be included. Employees away from work through

sickness, and any persons subsequently joining the staff, in most cases become automatically assured after being continuously at work for a certain probationary period, which is often fixed at two months. Since lives of advanced age only are medically examined, it will be apparent that persons may become assured in this way, who would be quite unable to obtain assurance in ordinary circumstances.

The sum payable at the death of each of the employees is usually fixed in one of the following ways—

(a) A multiple of a year's salary (generally one, two, or three years' salary).

(b) A level amount, say £100.

(c) A sum increasing according to the length of service, for instance, £100 if the duration of service be less than ten years, an increase of £10 being allowed for each completed year of service in excess of ten, up to a maximum sum of £200.

The company requires particulars with regard to the age and, where the salary has any bearing on the sum assured, the amount of salary of each employee to be included in the policy. Upon these particulars supplied at the outset the premium is based. Since, however, the staff may change during the year, both by the inclusion of new employees and by the withdrawal of existing members, it is provided that a proper record of the employees shall be kept by the firm, showing in each case the age and, if this information be relevant, the salary and duration of service and that periodical adjustments shall be made in the premiums. These adjustments are made at varying intervals, some taking place yearly, others as often as monthly. New entrants are usually charged a proportionate premium up to the next renewal date, and in the case of withdrawals a proportionate refund is made in respect of the unexpired period for which the premium has been paid.

The majority of group assurance policies are yearly contracts, the assurance company having the right to refuse to allow the renewal of the policy. Subject to the approval of the company the employer may continue the policy at a premium applicable to the attained ages of the employees. Occasionally a company

will bind itself to allow the renewal of a policy for a fixed period, usually varying from five to ten years. Since the premiums are recalculated yearly in accordance with the increased ages of the employees, the amounts payable would gradually become greater were it not for the continual retirements at older ages, and the corresponding influx of new entrants at young ages. It appears, however, to be the experience of companies transacting this type of business that the premiums remain practically constant from year to year. In some policies it is provided that any person leaving the employ of the firm before attaining a specified age (say, 60) may effect without medical examination a whole of life assurance or an endowment assurance for an amount not exceeding the sum for which he was assured under the group assurance. The normal premium for the attained age would be payable in respect of any policy issued under this option. Again some policies provide for the payment of the sum assured upon the life assured becoming permanently disabled and thereby prevented from following any occupation for profit. It is obvious that in this connection the definition of disability must be a stringent one and it must not include disability largely due to old age. In calculating the group assurance premium, allowance would, of course, be made for these extra benefits. Some offices are willing to grant policies of this type carrying the right to participation in profits; an additional premium is, of course, charged for this privilege.

The advantages claimed to accrue from a group assurance policy may be summarized as follows—

To the employer :

(a) The relations between employer and employed are improved thus tending to promote greater effort by the staff.

(b) It helps to stabilize the staff, the employees realizing that the firm has their interests at heart and hence being unwilling to leave.

(c) The employer is protected from demands for charitable relief on the deaths of employees.

To the employee :

(a) It provides assurance protection usually without any expense to himself.

(b) It relieves the employee of worry with regard to the financial position of his family during the early period after his death.

(c) It renders unnecessary collections for the relief of widows and children by the fellow-workers of deceased employees.

It is believed that the premiums paid under this type of policy may be included by the employer in expenses of management in estimating his net income for taxation purposes.

As in the case of most of the minor classes of assurance, there is no uniformity of practice with regard to the commission allowed to agents for the introduction of group assurances. Doubtless the degree of keenness of the office for the cultivation of this new type of business will be reflected in the commission allowed. It would, however, seem that a policy of this kind, being practically equivalent to a number of term assurances embodied in one contract, might well be subject to the ordinary term assurance commission. The most usual rate is probably 10 per cent of the first year's premium and 5 per cent of renewal premiums.

A typical form of proposal is shown on pages 108 and 109.

After receipt of the proposal it is almost inevitable in the case of a contract of this type for a number of queries to arise which will have to be cleared up by correspondence. It will be noted from the proposal form in question No. 1 that if the sum assured is to be dependent in any way upon the length of service, it will be essential for the office to receive in addition to the information included in the proposal, a list showing each employee separately and giving his age and length of service. Similarly, if several processes are carried on resulting in occupations of varying hazard, a list of the employees in the various age groups must be obtained, classified according to the particular occupation. This additional information is required in order to assess the premium to be charged since, as has been already mentioned, the occupation factor has considerable bearing on this question. If any of the lives be of advanced age, say, over 70, it is most probable that some evidence will be required as to their state of health. After this is forthcoming the papers will be in order for submission to the directors. The result of their decision will then be communicated to the proposer and should the proposal be passed a

.....**ASSURANCE COMPANY**

Head Office :.....

PROPOSAL FOR GROUP LIFE ASSURANCE

The policy to provide for the payment of a sum calculated in accordance with the answer to question 1 at the death, within a period of one year, of an employee who has been in the proposer's service for at least three months.

- | | |
|--|-----------|
| 1. Indicate how the amount of the assurance is to be determined— | |
| (a) According to the amount of salary | (a) |
| (b) A uniform amount | (b) |
| (c) According to length of service | (c) |

N.B.—If basis (c) be adopted a separate list of employees must be furnished showing in each case the age next birthday, the length of service, and the present salary.

- | | |
|---|-----------|
| 2. (a) Name in full of employer | (a) |
| (b) Business address | (b) |

3. SCHEDULE OF EMPLOYEES TO BE ASSURED —

Ages next birthday.	Number of Employees.
29 and under	-----
30 to 39 inclusive	-----
40 " 49 "	-----
50 " 54 "	-----
55 " 59 "	-----
60 " 64 "	-----
65	-----
66	-----
67	-----
68	-----
69	-----
70	-----
71 and over	-----
TOTAL	-----

4. (a) Give a description of the business	(a)
(b) Are several processes carried on involving occupations of differing hazard? If so, a separate statement should be furnished showing the employees included in the various age-groups in the foregoing schedule classified according to their various occupations .	(b)
5. Are all the employees of the firm included in the foregoing schedule? If not, give particulars of those omitted . . . . .	.....
6. Is it probable that there will be any material change in the staff or in the risk during the year? If so, give particulars . . . . .	.....
7. Are there on the staff any persons who to your knowledge should be described as under-average lives? If so, give names, ages, and defects from which they suffer .	.....
8. Are new employees entering the service after the issue of the policy to be assured? . . . . .	.....

We, the proposed assured (the persons proposing to effect the assurance) hereby undertake to keep a proper record showing the name, age, and period of service of every employee on our staff, and we agree that no liability shall attach to the Company in respect of any person not entered therein. We further undertake to furnish to the Company at the end of the period of assurance a complete statement of the persons employed during the period and to pay any further premium that may be due in accordance therewith.

We hereby declare that the foregoing answers are in every respect true and correct and we hereby agree that this declaration shall be the basis of the contract of assurance between us and the.....Assurance Company.

Dated this.....day of.....19.....

NOTE.—No liability will attach to the.....Assurance Company until the proposal has been accepted at the Head Office of the Company and the premium has been paid.

letter containing wording on the lines of the following would be dispatched—

I have the pleasure to advise you that your proposal for a group life assurance covering the employees specified, for a period of one year, has been passed by the Directors at a premium of £ : : .

The premium should be paid within.....days and it should be noted that until the premium is paid the Company will be under no liability. Furthermore, should any circumstances affecting the risk occur before payment of the premium, information should be communicated to the Company in order that the Directors may reconsider their decision.

Group Annuities

Another type of "group" policy is one providing for the payment of an annuity of a fixed amount to each member of a group of lives after he, or she, attains a specified age, usually 65. By this means an employer is enabled to provide, or help to provide, pensions for his staff. Provision is made in the policy for the payment of an increased annuity after retirement in the event of such retirement being postponed to an age later than the normal. A reduced annuity will also be allowed upon retirement before the normal age; and in some cases provision is made for the payment of the full annuity, then accrued, in the event of early retirement due to ill-health.

The contract frequently gives to a male employee the option, provided application be made at least 5 years before the date of retirement, of taking in lieu of an annuity on his own life, a joint-life and survivor annuity for an appropriately reduced amount on the lives of himself and his wife.

If the annuity is payable in full on early retirement upon grounds of ill health it is necessary to guard against adverse selection, and as in the case of a group term assurance provision will be made for the inclusion of all employees or all members of a homogeneous section. Here again the occupation factor is an important one.

The premium for the policy will be paid to the Company by the employer either annually or quarterly. The premium is calculated upon the basis of the circumstances existing at the commencement of the period, adjustments being made at the end of the period for any variations that have occurred. Although the premium is paid by the employer it may be provided wholly or in part by the employee, the employer recovering the employee's share by deductions from salary or wages. It is usual for these deductions to consist

of a definite percentage of the salary, the employer providing the balance.

The premium payments in respect of each individual employee may be treated in one of two ways—

(i) as a single premium providing the annuity accruing as a result of the particular year's service; or

(ii) as an annual premium to provide a fixed annuity. In this case the premium in respect of the annuity originally provided for will be based upon the age at entry into the scheme; increases may be made from time to time in the annuity, the additional premiums being calculated according to the age at the time that the variation is made.

Method (i) has the advantage from the employer's point of view that each year looks after itself, but in the case of small groups it may lead to greater variations in the amount of the annual payments as the premium to provide a fixed annuity on retirement will increase as the age increases. It is, however, definitely more suitable when the amount of the annuity depends upon the salary or wages received by the employee and where this fluctuates appreciably from time to time, as may happen in the case of workers paid upon a time basis.

Method (ii) has the advantage that the premium in respect of each individual is more stable but it provides for the payment in respect of a young employee with short service of a larger amount than is absolutely necessary to meet the liability incurred in the early years. It is therefore not suitable when the average length of service is short or when it is not possible to forecast with any degree of accuracy the salary likely to be received in the future.

The amount of the annuity to be provided is usually fixed in one of the following ways—

(a) the amount provided by a fixed percentage of each year's salary or wages;

(b) a fixed percentage of the total amount paid as salary, or wages, during service;

(c) a fixed amount for each completed year of service, say £1 per annum for each year of service—this amount may vary for different groups of employees;

(d) a level amount, say £104 per annum.

The contract will usually provide that on the withdrawal of an employee from the service, other than on pension, he shall receive either—

a return of all his own contributions with compound interest ;

or

the deferred annuity secured by his contributions, provided such annuity shall exceed a minimum amount. This deferred annuity will either be for a reduced amount fully paid-up or may be for the larger amount subject to the payment of further premiums by the employee.

As regards the employer's portion of the contributions they may be returned with interest or, if the employer wishes, the employee's deferred annuity may be proportionately increased.

The Company usually guarantees that in the case of all employees entering at the outset or within say 5 years of the date of the policy, the premiums will be calculated throughout upon the basis of the rates in force at the time the policy is effected ; but it reserves the right to reconsider the basis of the premium rates in respect of new entrants after the expiration of the guaranteed period.

The form of proposal will be very similar to that required for a group term policy, the necessary alterations being obvious.

Disability (or Invalidity) Benefits

With one exception, policies incorporating disability benefits were only issued by colonial and foreign offices until recent years. At the present time, however, several British offices and a number of colonial offices transacting life assurance business in this country are issuing policies providing for various benefits upon disability. Assurances involving this type of benefit appeal particularly to persons whose income is mainly dependent upon their powers of earning a livelihood. The ordinary life assurance policy makes provision for relatives in the event of death, but this provision is contingent upon the policy being in force at the date of death. In some cases a person is incapacitated for many years before death supervenes, by which time the policy may have become void through inability to pay the premiums. Although this risk may be small, it is nevertheless a serious one to a person deriving his income mainly from his employment, and it is surprising that

policies incorporating disability benefits, which found a ready sale in America, have not proved more popular in this country. These subsidiary benefits are usually granted in connection with ordinary whole of life assurances, whole of life assurances subject to limited premiums, and endowment assurances. The benefits are usually limited to disability arising before age 60, and it is customary for any extra premium charged for the additional benefits to be removed when the life assured attains that age. The majority of companies allow these benefits only where it appears that the life is totally and permanently disabled, although one or two offices make some provision for temporary total disability. The following are the types of benefit commonly granted—

(a) Waiver of premiums.

(b) Waiver of premiums combined with the payment of the sum assured by a series of annual instalments, the first falling due on proof of disability.

(c) Waiver of premiums and the immediate payment of the full sum assured either in a lump sum or by a series of instalments equivalent in value.

(d) Waiver of premiums together with the payment of an annual sum (generally 10 per cent of the sum assured) so long as the life assured may live, the full sum assured being also payable when a claim arises.

Under an endowment assurance the annual payments would, of course, cease at maturity, and the sum assured or any balance thereof would be payable at once. In the case of scheme (b) only the actual amount of the sum assured is payable in the event of total permanent disability, i.e. under a £1,000 policy, say, ten payments of £100 each would be made. Under scheme (c) in calculating the amount of the alternative instalments interest for deferred payment would be allowed.

The actual cost in the case of a healthy life of the simple "waiver of premiums" benefit offered under scheme (a) is very small. Scheme (d), however, offering the combined benefit of cessation of premiums coupled with an immediate annuity, appears to have proved the most popular type of disability contract. The moral hazard is large and owing to an unfavourable experience in

America many offices which formerly granted this latter benefit have now ceased to do so.

It has been found that the bulk of the "disability" claims arising under these policies are caused by tuberculosis, insanity, paralysis, and accidents. It follows, therefore, that particular attention is paid to personal and family history showing a tendency to any of the diseases mentioned, and that any personal defect causing an increased liability to accident must be borne in mind when considering proposals for these policies. It is usual to restrict this class of risk to male lives, who are assurable at ordinary rates and engaged in non-hazardous occupations, although some offices will grant these benefits to women earning their own living. The general procedure in dealing with these cases will not otherwise differ from that adopted in connection with proposals for ordinary policies of a similar type.

No additional surrender value is usually allowed in respect of the extra premiums paid for these benefits. After a disability claim has arisen the surrender value is generally calculated on the assumption that any premiums waived have been paid.

Special Schemes

Before leaving this chapter mention must be made of the special schemes, often apparently of a very complicated nature, published by some offices. It will generally be found that the policy described consists of two or more of the simple forms of assurance combined in one contract.

CHAPTER IX

INDUSTRIAL ASSURANCE

It is proposed in this chapter to indicate in what respects industrial assurance practice differs from ordinary life assurance practice in the matters covered by the preceding chapters.

The statutory definition of industrial assurance has been given in the first chapter, and for practical purposes we may say that industrial assurance consists of the granting of life policies for small amounts, the premiums for which are payable at weekly or monthly intervals and are collected by means of collectors.

The collectors are for the most part full-time servants of the offices although a certain number work in their spare time only. Each collector is allotted the collection of the premiums at a number of houses in a given area. In the earlier stages of the development of the business it was usual to have a number of collectors in the given area with the result that several travelled over the same ground in the course of their weekly visits to the houses of the policy-holders. The modern tendency is toward subdividing the areas and concentrating the whole of the collections in each of these smaller areas into the hands of one man.

Collector's Duties and Remuneration

The duties of a collector are not confined to the collection and transmission to the office of renewal premiums. He acts as agent for all the classes of business transacted by his office, which in the case of the larger industrial offices covers all fields of insurance. The collector is usually remunerated by a commission on his collections, such commission being about 20 per cent for weekly collections and $7\frac{1}{2}$ or 10 per cent for monthly collections. In addition he will receive a commission for new business. Owing to the large numbers of policies which lapse after only one or a few weekly premiums have been paid, it is rather the *maintenance* of new business than the *writing* of new business which the office

desires to remunerate, and the various methods of paying commission for new business are framed with this object. One method is to base the commission solely on the increase in the total premiums in the collectorship after all lapses (other than lapses of assurances of upwards of five years' duration) have been made good. The commission paid under this method is about twenty-four times the increase in the weekly premiums. Another method is to pay, say, twelve times the weekly premium on new business, provided that it is kept good for twelve weeks and to pay in addition commission on the increase in the premiums in the collectorship. There has been a tendency in recent years to depart from the system of commissions on collections and new business and to substitute a fixed salary as the basis of remuneration. It is clear that the time and effort necessary for the collection of premiums depends primarily not on the amount to be collected, but on the number of calls to be made and the distance to be travelled between the calls. The method of payment by fixed salary is a recognition of this fact, and where it is adopted in conjunction with the concentration of collections into the hands of one man only in each area, it may be expected ultimately to result in economy over the commission method, while still giving adequate remuneration for work done.

It lies beyond the scope of this work to discuss more fully the merits of the different systems of remuneration, and it is perhaps due to the reader of these pages to utter a warning that the problem is far from simple. Indeed, the organization and remuneration of the field staffs is one of the most difficult and complex of the administrative problems of an industrial assurance office.

For his work in branches of insurance other than industrial the collector will usually receive agency commissions similar to those paid by non-industrial offices. It may be noted, however, that industrial offices frequently pay 5 per cent commission for the collection of ordinary life renewal premiums instead of the more usual $2\frac{1}{2}$ per cent.

Industrial offices usually employ one or two grades of supervisory staff, these officers being remunerated partly by salary and partly by commissions on the new business or increase in premiums in the areas under their control.

Form of Assurance

In the early years of its history (which may be said to date from about 1860) industrial assurance consisted almost exclusively of whole of life assurances, and to this day the bulk of the business is in this simple form of assurance. The policies are effected to provide for funeral expenses and, unfortunately, this provision is commonly deferred until late in life, with the result that the average entry age of adults into assurance is much more advanced than is the case in ordinary life assurance. On the other hand, a considerable proportion of industrial assurance business consists of assurances on the lives of children from the very youngest age upwards.

The law does not recognize the liability (or contingent liability) of incurring funeral expenses on the life of another as giving an insurable interest in that life. Assurances for this purpose are, however, a very real need to the industrial classes and, as is common where the law stands in the way of progress, there have been, first subterfuge and evasion, and finally an adaptation of the law to the social need. By the Friendly Societies Act, 1896, registered friendly societies were permitted to insure money to be paid for the funeral expenses of the husband, wife or child of a member or of the widow of a deceased member, and concurrently similar permission was extended to industrial assurance companies in respect of children under 10 years of age. Both before and after 1896 large numbers of policies for funeral expenses were issued irregularly and by the passing of the Assurance Companies Act, 1909, another step was taken in adapting the law. The 1909 Act gives industrial assurance companies power to issue policies insuring money to be paid for the funeral expenses of a parent, grandparent, grandchild, brother or sister. The Act also validated policies which had been issued irregularly prior to the passing of the Act. The Industrial Assurance Act, 1923, adds "child" to the list of relationships within which funeral expense policies may be issued.

Industrial assurances on the lives of children are subject to certain statutory regulations as to the maximum amounts which may be paid, the person to whom payment may be made, and the manner in which death is to be certified. Until recently the maximum amount which might be paid on the death of a child under

five years of age was £6, and of a child under 10 years of age £10. The Industrial Assurance Act, 1923 (which came into force on 1st January, 1924), raised these maxima to £6 under three, £10 under six, and £15 under age 10.

Whole of Life Assurances

Industrial whole of life assurances differ from those granted by ordinary life offices inasmuch as the sum assured is not a level sum throughout the duration of the assurance. In the first place the business being almost entirely without medical examination, it is usual to provide for payment of one-quarter of the sum assured only in the event of death otherwise than by accident in the first three months, one-half the sum assured in the second three months and the full sum assured thereafter. Then, in order to give additional inducement to the holders to maintain their policies, the sum assured increases by about 5 per cent after five years and by a further $2\frac{1}{2}$ per cent after ten years. In the case of policies on the lives of children the same reason for limitation of benefit in the first six months exists and until age 10 the statutory limits imply increasing assurances. Sometimes the full statutory amounts are assured after six months, but more commonly a scale of increase is arranged which keeps within the limits allowed. The following may be taken as an example of such a scale—

INFANTILE WHOLE OF LIFE ASSURANCE
WEEKLY PREMIUM, ONE PENNY. AGE AT ENTRY, ONE NEXT BIRTHDAY
Amount payable if the Assured should die after the policy has been issued for—

	£	s.	d.
One calendar month		10	—
Three calendar months	1	10	—
Six calendar months	3	—	—
One year	4	10	—
Two years	5	—	—
Three years	5	10	—
Four years	6	—	—
Five years	6	10	—
Six years	7	—	—
Seven years	8	—	—
Eight years	9	—	—
Nine years	10	—	—
Ten years	12	7	—
Fifteen years	12	13	—
Twenty years	12	19	—

The prospectus for industrial business does not usually offer such a variety of plans as does an ordinary life prospectus, but most

of the forms which are popular in ordinary life business will be found to be reproduced in one or other of the prospectuses of industrial offices, with perhaps the exception of term and convertible term assurances. Children's policies in the form of pure endowments with return and endowment assurances are usually offered and are very popular. The limitations on the sum payable at death during the first six months of assurance, which have been described in connection with whole of life assurances, will usually be applied to other classes of assurance where there is a life risk. Similarly for infantile assurances a scale of increasing amounts which are kept within the statutory limits, is introduced. The method of publishing premium rates is to give a table of the sum assured which can be secured by a given weekly or monthly premium.

Owing to the vast numbers of policies and the small amount of each it is not easy to make bonus distributions to industrial policy-holders, and for many years all policies granted were strictly without profits. As with ordinary life assurance, it was found that the scales of premiums originally fixed were heavier than was necessary, but instead of retaining the heavier premiums and distributing the excess as bonus the premiums themselves were adjusted in favour of the assuring public. In most offices these adjustments have been fairly frequent and in some cases the increased benefits were made retrospective, thus giving reversionary additions to existing policies. There seems some hesitation at present whether to continue the close adjustment of premiums to benefit or to adopt some form of bonus distribution. Two or three offices have distributed profit by way of what is called a mortuary benefit, that is an addition to the sums assured under policies becoming claims during some specified period, such as one year after the declaration. This system if maintained indefinitely produces similar results to the reversionary bonus method, but if the distributions be interrupted (as they were by the war) policy-holders who for many years have contributed to the profits may themselves derive no advantage. The cash bonus method has been used, but it is not free from administrative difficulties. It seems likely that before long most industrial offices will have adopted the reversionary bonus method with, at any rate at first, a long period before the bonus vests.

Notwithstanding that medical examination is rarely required, the proposal for an industrial assurance is a somewhat simpler form than that for ordinary life assurance. Taking the form of proposal given on page 60 as a basis, the question 1 (*d*) would be altered to "Relationship of life proposed to proposer," questions 6, 7, 9, and 10 might be omitted and a question might be added as to whether any relatives of the life proposed had suffered or died from consumption.

If full medical examination should be required the same form as for ordinary life assurance will be used. In certain cases confirmation by the company's local medical officer that from appearances the life proposed is in good health is obtained. The doctor is not required to make a detailed examination, and he reports on a form that he has seen the life proposed and judges him to be in a good state of health or to be impaired for some stated reason.

Friends' reports are not obtained, and thus in the majority of assurances the only documentary evidence of health and habits is contained in the proposal form. It has to be borne in mind, however, that the premiums are based on the mortality experience of the general population (which includes a proportion of impaired lives) and that all the lives proposed are seen by the collector and also, in many cases, by a member of the supervisory staff of the office. These men are permanent servants and act with a sense of responsibility. If they discharge their duties honourably there is little risk of the proportion of impaired lives in the total assured being greater than that in the general population.

Letters of acceptance are not used. If the office is satisfied with the proposal, the policy is at once prepared and sent for the collector to deliver. In some cases the first premium will have been paid at the time the proposal is made, and in other cases will be collected before the policy is handed to the proposer.

Industrial Assurance Act, 1923

This Act, which came into force on the 1st January, 1924, is nearly as lengthy as the Assurance Companies Act, 1909, but so far as the larger offices are concerned the changes which it brought about were neither very numerous nor very important.

Mention has been made in the first chapter of the new statutory

definition of industrial assurance business, and earlier in this chapter of the addition of "child" to the permissible relationships within which funeral expense policies may be issued, and the increase in the maximum amounts which may be paid on the death of a child under 10 years of age.

Two sections of the Act dealing with proposals and policies may usefully be reproduced here.

SECTION 20. 1. Every proposal for an industrial assurance policy shall, except—

(a) where the policy is taken out on the life and on behalf of a child under the age of sixteen ; or

(b) where the policy assures a payment of money for the funeral expenses of parent, child, grandparent, grandchild, brother, or sister ; or

(c) where the person whose life is to be assured under the policy is a person in whom the proposer has an insurable interest ;

contain a declaration by the person whose life is to be assured that the policy is to be taken out by him, and that the premiums thereon are to be paid by him.

Where the person whose life is to be assured under the policy is a person in whom the proposer has an insurable interest, the proposal shall contain a statement of the nature of that interest.

2. A collecting society or industrial insurance company shall not, nor shall any collector or agent of such a society or company issue a proposal form or accept a proposal which does not comply with the foregoing provisions of this section.

3. If the proposal contains a statement that the person whose life is proposed to be assured is not at the time of making the proposal a person on whose life another policy has been issued by the society or company, and a policy is issued in pursuance of the proposal, the society or company shall be liable under the policy, notwithstanding that the statement is not true, and the truth of the statement is made a condition of the policy.

4. If a proposal form for an industrial assurance policy is filled in wholly or partly by a person employed by the society or company, the society or company shall not, except where a fraudulent statement in some material particular has been made by the proposer, be entitled to question the validity of the policy founded on the proposal on the ground of any misstatement contained in the proposal form :

Provided that—

(a) if the proposal form contains a misstatement as to the age of the person whose life is proposed to be assured, the society or company may so adjust the terms of the policy, or of any policy which may be issued in substitution or in lieu thereof, as to make them correspond with the terms which would have been applicable if the correct age of the person had been originally inserted in the proposal ;

(b) where but for this sub-section the validity of a policy could have been questioned on the ground of any misstatement in the proposal form relating to the state of health of the person upon whose life the assurance is to be taken out at the date of the proposal, nothing in this sub-section shall prevent such a question being raised, if raised within two years from the date of the issue of the policy founded on the proposal.

SECTION 21. 1. A policy of industrial assurance issued after the commencement of this Act shall set out the provisions of this Act mentioned in the Third Schedule to this Act, such of those provisions as are contained in Part II of that Schedule being printed in distinctive type, and in the case of a policy on the life of a child under ten years of age shall also set out in distinctive type a statement of the effect of section sixty-two of the Friendly Societies Act, 1896 :

Provided that the policy may, if the Commissioner consents, in lieu of setting out the said provisions of this Act, contain a statement which, in the opinion of the Commissioner, sufficiently sets forth the effect of those provisions.

2. Where a policy of industrial assurance issued after the commencement of this Act does not comply with the provisions of this section, the society or company effecting the insurance shall be guilty of an offence against this Act, and shall, without prejudice to any other liability be liable to pay to the person by whom the premiums have usually been paid a sum equal to the amount of the premiums paid, which sum shall be recoverable summarily as a civil debt.

The matters dealt with in the sections which are to be set out in the policy are briefly—

1. Section 20 (4) above.

2. The return within 21 days of any policy or premium receipt book which has been taken possession of by the company or its servant.

3. Forfeiture not to be incurred by any person assured by reason of default in premium payment until after 28 days' notice have been given and not been complied with.

4. Policy-holder to be entitled to free paid-up policy for a reduced amount (for which a minimum is prescribed) if premiums have been paid for the qualifying period.

5. Policy-holder agreeing to accept a new policy in substitution for a previous policy to receive consideration for the policy dropped.

6. Policy-holder not to be transferred from one office to another without his written consent in prescribed form and the office from which he is transferred to be notified within seven days.

7. No deduction of arrears of premium due under any other policy to be made when claim is paid.

8. Settlement of disputes by application to county court, court of summary jurisdiction or Industrial Assurance Commissioner.

9. Notices required by the Act to be in writing and either delivered or sent by post.

Of these, numbers 3, 4, and 9 are to be printed in distinctive type.

The Industrial Assurance and Friendly Societies Act, 1929

As mentioned on page 117 the amount which may be paid on the death of a child under 10 years of age has long been limited to certain statutory maxima. It was not customary, however, to treat sums paid by way of a return of premiums under pure endowments and similar contracts as being subject to these limits. There was, nevertheless, some doubt as to the legal position, and during the passage through Parliament of the 1923 Act an amendment to remove this doubt was moved, but it was dropped on the Solicitor-General's declaring it to be unnecessary.

In 1928, however, the Commissioner instituted a prosecution challenging the legality of the course hitherto adopted. The Court held that the policy in question was illegal, the decision rendering illegal a large number of similar contracts.

The Industrial and Friendly Societies Act, 1929, validated the policies in question, and also provided that, in the case of all contracts of this nature, a cash surrender value may be claimed as an alternative to a paid-up policy after one year's premiums have been paid.

CHAPTER X

THE LAW AFFECTING THE POLICY

THIS chapter deals briefly with those aspects of life assurance law which bear particularly on the form and conditions of the policy.

The policy is the instrument evidencing the contract of assurance, while the contract itself is generally referred to as the assurance. This distinction between "policy," the instrument, and "assurance," the contract, is useful but is not invariably observed.

There is very little statutory regulation of the form or conditions of life assurance policies. The most important instance is the provisions of the Industrial Assurance Act, 1923, which are mentioned in the previous chapter. These provisions govern industrial assurance policies issued after 1st January, 1924.

Stamp Act, 1891

This Act imposes a penalty on an insurance company which fails to execute a duly stamped policy within one month after receiving or taking credit for premiums. This in effect makes a policy in writing a legal necessity.

Life Assurance Act, 1774

The general purpose of this Act is to prohibit insurances where the person effecting the insurance has not an insurable interest, and it is provided that it shall be unlawful to grant a policy without inserting the name of the person for whose benefit the insurance is made. That is, the name of the proposer must appear in the policy.

Policies of Assurance Act, 1867

The only provision in this Act affecting the form of the policy is that every assurance company shall on every policy issued specify its principal place of business at which notices of assignment may be given.

Beyond these minor matters the assurance company is practically free to draw the policy in any form and with any conditions it may think fit or requisite. In doing this, however, it is necessary to take account of the general law relating to the contract, and of any restrictions or regulations imposed by the instrument incorporating the company.

An assurance company, unless prohibited by its incorporating instrument, may make a valid contract of assurance without its corporate seal and may, therefore, grant its policies under the hands of its directors or principal officers. The law usually regards sealing as indicating that importance is attached to a document, and in many cases a document under seal will have different effect than would the same document under hand. In the case of a life assurance policy it is not easy to cite circumstances in which the effect of a policy would be different by reason only of its being given under hand rather than under seal, and both forms are adopted in practice.

Commencement of Risk

In the absence of anything expressing the contrary, it will be assumed in law that no binding contract of life assurance exists until the first premium is paid. The insurer is entitled to the disclosure of all material facts up to the date of the payment of the first premium. Failure to disclose any change in the risk after the date of the proposal, or even after the date of the acceptance, would render the assurance void. Commonly, policies recite that the first premium has been paid, the intention being not to complete delivery of the policy until the premium has actually been received by the insurer. If such a policy under seal is executed in a manner which constitutes technical "delivery," or is actually "delivered," the insurer may be estopped from denying that the premium was actually received on the date recited in the policy. It is certain that the insurer would be estopped from denying the truth of the statement in the policy to the prejudice of third parties.

To avoid all risk of liability for losses or of increase of risk until the premium is actually paid, either: (1) execution of the policy must be delayed until after payment; or (2) all losses or increase of risk before the premium is actually paid must be

excluded, and in both cases admission of payment before it is actually made must be avoided.

Voidable Contracts

A policy may be void or voidable on the following grounds—

1. Breach of warranty.
2. Misrepresentation.
3. Non-disclosure.
4. Mistake.
5. Want of insurable interest or illegality of object.

It is not proposed to consider these grounds in detail, but only in so far as their existence bears on the form and conditions of the policy. For this purpose we may ignore the fourth and fifth grounds and consider the second and third together, as the principle of *uberrima fides* renders disclosure of material facts as essential to the validity of the insurance contract as the truth of representations.

The essential characteristics of a warranty have been described thus—

It must be part of the written contract ;

The matter warranted need not be material to the risk ;

It must be literally fulfilled ;

A breach discharges the insurer notwithstanding that the loss has no connection with the breach or that the breach has been subsequently remedied.

The essential characteristics of a representation are that it makes the contract void if it be substantially false, provided that it be material to the risk and an operative inducement to the contract. A representation is not part of the contract, but is something stated by one party as an inducement to the other party to make the contract.

Breach of warranty discharges the insurer from the date of the breach. Misrepresentation or non-disclosure renders the contract voidable by the aggrieved party as soon as the matter comes to his knowledge. Until by word or act he repudiates the contract it remains valid but, if after full knowledge of the facts he treats the contract as subsisting, he cannot afterwards repudiate

it. Thus if an error in age is discovered and further premiums are accepted on the old footing, the office will not be able subsequently to insist on an adjustment (unless there is some specific provision in the policy).

In its bearing on the policy the important point is that a warranty is necessarily a part of the contract, and the matters warranted must either be recited in the policy or expressed in some other document which is incorporated by reference and made part of the policy. Failing their incorporation in the policy as warranties the statements in proposal, medical examiner's report, etc., will be representations only.

Suicide and Murder

The rule of public policy prevents the person guilty of causing the death of the life assured or any person claiming through such guilty one from benefiting by the assurance. Thus a man who has insured the life of another cannot recover if he murders the life assured, and if he has insured his own life his representatives cannot recover if he commits suicide while sane or dies at the hands of justice. The position is not so clear, however, when the life assured commits suicide whilst insane. In order to leave no doubt in such a case and also to protect the position of assignees and incumbrancers, many offices insert in the policy a clause excluding liability in the event of the life assured dying by his own hand but undertaking to indemnify assignees for value up to an amount not exceeding the sum assured.

General Rules of Construction

Policies are not subject to any peculiar rules of construction, and the ordinary rules of construction applicable to other written instruments will be applied by the court. Unless words or phrases have acquired a recognized technical sense they are to be construed in their ordinary and popular sense. If there is any ambiguity in the language in the policy, that construction is to be preferred which operates against the party which prepared the document, that is, usually, the company. If, however, the language is transcribed from the proposal and is that employed by the assured, this rule of construction may operate against the assured.

Where a conflict of law arises, as where the company and the assured are domiciled in different countries, and there is no indication in the policy as to the law which is to govern the contract, there is a presumption that the parties intend the contract to be governed by the law where the contract was accepted, usually the head office of the company.

CHAPTER XI

THE GENERAL FRAMEWORK OF THE POLICY

IN the absence of any legal requirements as to the form of the policy, practice has produced great variety and scarcely any two offices use identical forms. This makes any general discussion of the form of the policy difficult and whatever form is chosen it will be easy to cite many exceptions. We may divide policy forms into two broad groups, in one of which the particulars are written into the body of the policy and in the other, particulars are relegated to a schedule. Most modern policies will be found to belong to the second group which we may call "schedule policies." The advantages of schedule policies are : (1) repetitions in the written particulars are avoided ; (2) particulars are more conveniently written or typed into the spaces in the schedule than among the printed matter of the policy ; (3) variations are more easily given effect to, so that a smaller range of printed forms is required ; and (4) the intention of the policy is more readily construed, since a single word referring to the schedule can be used instead of interrupting the phrasing of the policy with lengthy particulars.

Form of Policy

A schedule policy will commonly exhibit the following framework—

1. Name and address of the company or society. Policy number for identification. Some salient particulars relating to the office and the contract, e.g. date of incorporation, particulars of capital, sum assured, premium, due dates, term of assurance.
2. Recital that contract is based on a proposal, reference being made to the schedule for particulars of proposer and proposal.
3. Statement of the contract.
4. Clause incorporating endorsed conditions or regulations in the contract.
5. Schedule of particulars including special conditions peculiar to the contract.

6. Signatures and seal.
7. General conditions or regulations.

1. Displayed Heading

It is usual to print the name and address of the office together with any particulars as to incorporation, capital, etc., in a displayed heading. Following the address there is usually a note to the effect that it is the principal place of business of the company to which address alone all notices of assignment must be sent. As mentioned in the previous chapter, the principal place of business of the company must be specified on every policy in order to comply with the Policies of Assurance Act, 1867. For convenience of identification and reference, each policy is given a number under which it is recorded in the office register of policies. Particulars of the contract, such as sum assured and premium appearing at the head of the policy, are added for convenience and there is no principle regulating their choice. It may be remarked that they tend to detract from the advantages of the schedule policy, the written particulars being no longer confined to one part of the form and repetitions being involved.

2. Reference to Proposal

The policy proper commences with a recital referring to the proposal which has been made and incorporating the proposal as the basis of the contract. If it is desired that any other matters shall be the subject of warranty they also must be incorporated by reference or repetition in the policy. Some offices incorporate the answers given by the life assured to the medical examiner, and in some cases (as in connection with military service in the late war) a set of questions, supplementary to those contained in the ordinary proposal form, is required to be answered and would similarly be incorporated.

3. Statement of the Contract

This commonly commences with a recital that the first premium has been paid. As the contract is made in consideration of the payment of a number of premiums over a stated period, the prior receipt of the first premium is not an essential and, as is pointed

out in the previous chapter, the recital of such receipt is attended with certain dangers.

The policy goes on to recite that if subsequent premiums be paid as provided in the schedule, the company will upon proof of the happening of the event described in the schedule, pay the sum assured named in the schedule. This recital is sometimes extended to include conditions or requirements precedent to claims. For example the policy frequently recites that documents in proof of title must be presented at the Chief Office of the Company and that payment will be made at the Chief Office.

This part of the policy will also include the conditions, if any, governing the funds out of which the sum assured is to be paid or limiting or excluding the liability of any funds or persons. Thus where there are other assurance funds, and the liability is restricted to one fund, we may have—

The Ordinary Fund together with the Capital Stock of the Company shall alone be answerable for any claims under this policy.

Or where it is desired to show that the liability of directors and shareholders is limited—

The Funds and Property of the Society (including uncalled capital) are alone liable to answer any claims or demands on the Society in respect of this policy, the individual liability of every Director or other Proprietor being limited to the amount unpaid on his shares in the capital of the Society.

4. Clause Incorporating Conditions

If the form of the policy and the wording of the conditions make it clear that the conditions are an essential part of the contract, it is not necessary that any form of words incorporating the conditions into the contract shall appear. It is not uncommon for conditions to appear on the back of a policy and not over the signature or seal. In these circumstances an incorporating clause is desirable, and such clause may extend to incorporate the schedule and any special conditions.

5. Schedule

The schedule consists of a frame with printed headings and spaces for filling in the particulars of the contract. For the purpose of reference to the schedule, it is desirable to have a brief term describing the parties involved in the contract. The office can be called briefly "the company" or "the society," but when we come

to the lives involved, the choice of terms is not so obvious. If a company assures a person A B of a payment on the death of a life C D it is clearly the person A B who is most appropriately and strictly described "the assured." This leaves us with no very convenient term to apply to C D. He may be called "the life assured," but this is open to the objections that the term is readily confused with "the assured" and that it is inaccurate, since C D is not assured of anything. He is more strictly described as "the life in respect whereof this assurance is granted," but this is cumbrous. Two methods which avoid terms which may be confused by their similarity, but do not avoid the inaccurate use of the word "assured," are: (1) to call A B "the grantee" and C D "the life assured"; and (2) to call A B "the proposer" and C D "the assured." The latter method is adopted in these pages.

The headings in the schedule are—

The Proposer

The Assured

Date of Proposal and Declaration

Sum Assured { (a) Amount
(b) Whether with or without profits
(c) To whom payable

Event on the happening of which the sum assured is to become payable

Premium { (a) Amount
(b) Date or Dates when payable
(c) Period during which payable

Special Conditions

6. General Framework

Before proceeding to discuss the general conditions or regulations it will be useful to give the wording of a policy exhibiting the general framework outlined above—

.....ASSURANCE COMPANY Limited

Established.....

Chief Office.....

(Being the principal place of business of the company to which address alone all notices of assignment must be sent in pursuance of the Policies of Assurance Act, 1867)

Policy Number.....

WHEREAS the Proposer named in the Schedule hereto is desirous of effecting an assurance with.....Assurance Company, Limited (hereinafter called "the Company"), and has signed and caused to be delivered to the Company the proposal and declaration mentioned in the Schedule, such proposal and declaration being hereby declared to be the basis of the contract between the Company and the Proposer

And whereas the Proposer has paid to the Company a first premium of the amount stated in the Schedule

Now this Policy Witnesseth that in consideration of the payment of the premiums as provided by the Schedule the Company will subject as hereinafter mentioned pay the sum assured mentioned in the Schedule to the person or persons to whom the same is therein expressed to be payable upon satisfactory proof having been received and allowed by the Company of the happening of the event mentioned in that behalf in the Schedule

Provided always and it is hereby declared that the Schedule and all the conditions endorsed hereon are to be deemed part of this Policy and of the contract made between the Company and the Proposer.

SCHEDULE

The Proposer		
The Assured		
Date of Proposal and Declaration		
Sum Assured	(a) Amount	
	(b) Whether with or without profits	
	(c) To whom payable	
Event on the happening of which the sum assured is to become payable.		
Premium	(a) Amount	
	(b) Date or dates when payable	
	(c) Period during which payable	
Special Conditions		

IN Witness whereof the Company has caused its common seal to be hereunto affixed this day of One Thousand Nine Hundred and

7. General Conditions

These may be added for any of the following reasons—

- (a) To explain the nature of the contract and its legal implications.
- (b) To limit the scope of the assurance.
- (c) To add to the benefits of the assurance.

(a) *Conditions explaining the nature of the contract and its legal implications* are not very important or very numerous. The commonest example is the condition that if the renewal premium be not paid within the days of grace, the assurance will be void.

Another condition of this character is that explaining that the contract is voidable for breach of the warranties contained in the proposal. For example—

This assurance is conditional upon the questions contained in the proposal forming the basis of the contract having been truly answered and if an untrue answer shall have been given to any of such questions or if any material fact touching the health, habits or occupation of the assured has been suppressed or concealed from the knowledge of the Company, this assurance will be void.

(b) *Conditions limiting the scope of the assurance.* It will conduce to a better understanding of restrictive conditions if we consider first the object of such conditions. Restrictive conditions may be imposed to eliminate or reduce the moral hazard or to exclude physical hazards which are not provided for in the premium charged.

A moral hazard exists where it lies within the power of the assured to bring about a loss or to increase the risk of loss. If we can be satisfied that the existence of the assurance will not be an operative motive for the assured to bring about the loss or to increase the risk, the moral hazard can be provided for in the premium (although data for its assessment may be deficient), but where the existence of the assurance may be expected to be an operative motive for such acts, no premium can be adequate or at least no assurance satisfactory to the assurer can be arranged, and there is no option but to refuse the assurance or to exclude the risks over which the assured can exercise control. In life assurance the problem of the moral hazard is simplified by reason that the loss can only be brought about by extinction of the life assured who will usually be also the policy-holder, and in any case such extreme crimes as suicide or murder are implied. We have, therefore, scarcely to contemplate the existence of the assurance as an operative motive for bringing about the loss unless the assurance was actually effected by the proposer with such crime in view. Some offices, accordingly, have no conditions directed to excluding suicide and murder risks, while others deem it sufficient to eliminate the moral hazard of self destruction in the early years of the policy and to rely on the common law to defeat the claim of a murderer.

The assured may increase the risk by changing to a hazardous

occupation, proceeding to an unhealthy locality or taking up some dangerous pursuit. If we consider the motives which prompt men to do these things, we shall certainly come to the conclusion that they are almost invariably far distant from that of the existence of any life assurance, and that the latter is not even a remotely contributory motive. This moral hazard is, therefore, one which can be provided for in the premium, unless it is felt that data for its assessment are inadequate. Some reservation should be made in the case in which the assurance is effected at a time when some increase in the risk is contemplated. To reduce this hazard to negligible dimensions, it will be sufficient to exclude during the early years of the policy those risks over which the assured can exercise control.

Life policies are practically free from general conditions excluding purely physical hazards, and the one exclusion of a physical hazard which is at all general being the risks due to war.

Modern conditions of warfare make it virtually impossible for a life office to assess with reasonable accuracy the financial effect of a war upon its liabilities. Methods of destruction develop so rapidly that the experience of the last war is not likely to give any reliable guidance as to the consequences of the next (if it occur), and in times of peace the probability of an outbreak of war during the duration of a given contract cannot be assessed with any degree of accuracy. If a major war occur, however, the possibility of a catastrophic drain on the office's resources, if war risks are covered, cannot be ignored. Consequently it is the practice of many offices to exclude war risks from the cover provided, at least in the case of the younger male lives assured.

Restrictive conditions cannot be regarded as *necessary* in a life assurance contract in the sense that it is impossible to provide for the hazards in the premium ; but as restrictive conditions are still common, it remains to be considered why they are retained. Probably the most important reason for their retention is the view that it is more equitable, as between different policy-holders, that where one of the number voluntarily increases the risk, he should bear the additional cost than that the cost should be anticipated and distributed over the whole body of policy-holders. Another reason has already been indicated, namely, the inadequacy of data upon which to assess the premium for the two-fold contingency

of the life assured electing to incur extra risk, and of dying from causes comprised in the extra risk. Experience shows, however, that this two-fold contingency is at any rate less serious than many other contingencies which are not definitely calculable, and must be left to be covered by the margin for contingencies which is present in most premiums.

Various forms of restrictive conditions are employed.

The policy may be declared to be void if the extra risk is incurred without permission of the company to be granted upon payment of the requisite extra premium. This form is unsatisfactory in operation in the case where the life assured incurs the extra risk, without the knowledge of the company, and the fact transpires at a later date after the extra risk has ceased and the life has suffered no impairment. There is no ground for demanding the extra premium, since the office cannot claim to have been at risk under a policy which was voidable. On the other hand, had death actually occurred, the office would have been pressed and would probably have agreed (subject perhaps to some deduction) to honour the claim. The result may be that the office in effect runs extra risk without being able to charge the requisite premium for such extra risk.

Under another form, instead of the policy being declared void, the sum assured is reduced to the surrender value, the premiums paid or some other amount in any event, or only in the event of death occurring during the incidence of or as a result of the extra risk. A difficulty that arises from this latter form in operation is that of determining satisfactorily whether death resulted from the extra risk if such death did not occur coincidentally with and as a direct result of the risk.

The restriction may be operative during the early years of the policy only or until the life assured has attained a certain age.

If the value of a policy is liable to destruction owing to the operation of conditions voiding the policy in certain events, it becomes a much less satisfactory security in the hands of a mortgagee or assignee. To avoid this drawback and still to retain the restrictive conditions, it has become common to provide that the policy shall not be voided as regards the *bona fide* interests of third parties. Some offices stipulate that notice of such interest must have been given to the office before the death of the life assured.

The risks against which general restrictive conditions are imposed are practically limited to suicide, hazardous occupation, military, naval, or air service, and foreign residence and travel. The actual wording of the conditions is very varied, but the following will serve as indications of the forms used—

SUICIDE. If the assured shall die by his own hand, while of sound mind at any time, or while of unsound mind within two years from the date of this policy, this assurance shall be void except to the extent to which a *bona fide* interest for valuable consideration possessed or acquired before the date of such death shall be established to the satisfaction of the directors.

OCCUPATION. If the assured shall engage in aviation in any form (save as a fare-paying passenger by recognized Air Lines over established air-routes), mining, the sale of intoxicating liquors, military, naval, or air service or any business or occupation of a hazardous nature, without the previous permission of the directors endorsed on this policy (for which permission it shall be lawful for the directors to require, and compulsory on the proposer to submit to, such increase in the premium as the directors shall determine), the sum assured by this policy shall not be payable, but on the happening of the event, described in the schedule, the premiums paid under this assurance will be returned.

FOREIGN RESIDENCE AND TRAVEL. The assured will in time of peace be allowed to travel to, and to reside in, any place between 60° and 30° north latitude and between 60° and 30° south latitude, Egypt (as far south as Second Cataract), the Holy Land, Madeira, the Canary Isles, or any part of the South African Union south of 25° south latitude, Australia and New Zealand. This policy shall be void if the assured go beyond these limits without the previous permission of the directors endorsed upon the policy. After the expiration of five years from the date of this policy, provided the assured has then attained the age of 30 years and has not previously proceeded beyond the above limits, the assured will in time of peace be allowed to travel to and to reside in any part of the world without restriction.

The tendency for many years has been towards policies free from any restrictions as to occupation, foreign residence or travel, and where the life assured has no prospect or intention at the time the assurance is effected, of taking up a hazardous occupation

or proceeding abroad, most offices will now grant a world-wide policy free from restrictions as to occupation or travel.

(c) *Conditions adding to the benefits of the assurance.* If reference be made to the policy on page 132, it will be seen that it provides for the payment of the sum assured in a certain event on condition that all premiums are paid as they fall due. The conditions we have now to consider are those conferring privileges or indulgences beyond the bare payment of sum assured subject to due payment of premiums. Conditions which so modify the contract as to produce a special form of the life assurance contract will be considered at a later stage.

As the contract is primarily drafted, failure by the policy-holder to pay any of the renewal premiums strictly on the due date would involve complete forfeiture of the assurance and the loss of all the premiums paid. The common and important conditions extending the benefit of the assurance are concerned with failure to pay the premiums when due. Under most forms of life assurance the premium is uniform in amount over the whole period of the assurance, while the risk of the office having to pay the sum assured is not uniform, but increasing and possibly, as in the case of an endowment assurance, reaching certainty on a given date. It follows that the office must accumulate out of the current premiums a reserve to meet the additional risk which will be incurred later. Should the policy be discontinued these later risks will be avoided, and the reserve which was accumulated to meet them becomes available to be employed in some other way. Considerations of equity to the policy-holder naturally suggest that it should be employed in maintaining a part or the whole of the benefits of the assurance. Thus it has come about that the benefits of a policy do not absolutely cease on failure to pay a renewal premium, and we may note three distinct periods during which the benefits are in some measure preserved to the policy-holder.

Days of Grace

The first period is that of the days of grace. It is an almost invariable condition that the policy will not lapse if the renewal premium be paid within thirty days or one calendar month after it becomes due. The intention usually is that the premium will

be accepted within the days of grace without any charge for interest, or any fine or other penalty and irrespective of the state of health of the life assured, or even of the happening of the event upon which the sum assured becomes payable. The condition is sometimes worded briefly, "Thirty Days of Grace are allowed for the payment of renewal premiums." If the intention is as stated above, this brevity can hardly give rise to dispute, but if any less privilege is intended, for example, that the premium must be paid in the lifetime of the assured, it should be clearly stated. The condition will be clearer to the policy-holder if it is amplified by some such words as—

If the event on the happening of which the sum assured becomes payable occur before the payment of a premium which has fallen due but within the thirty days of grace allowed for such payment, the amount due under this assurance will be payable subject to deduction of the unpaid renewal premium.

Non-forfeiture Period

The second period, that of non-forfeiture, is not so universal as the days of grace, but is present in some form under the conditions of most offices' policies. During the non-forfeiture period, which immediately follows the days of grace, if the critical event occur the sum assured is payable subject to the deduction of all premiums in arrear with interest thereon and sometimes a fine or fee. A natural corollary (although one which may be expressly excluded if desired) is that during the non-forfeiture period the assurance may be revived subject to the payment of the premiums in arrear with interest and fee, but without regard to the state of health of the life assured.

The length of the non-forfeiture period, and the methods by which the length is to be determined, vary very considerably between different offices. One form of the condition provides that renewal premiums shall be automatically advanced as loans on security of the policy, interest being charged. This is continued so long as the total charges and accumulated interest are within the surrender value of the policy. In computing the surrender value, premiums advanced are treated as paid in the same manner as if they had been paid in cash. We thus have two quantities, the charges accumulated at interest and the surrender value, each increasing but at different rates, and the non-forfeiture period is

determined when the former overtakes the latter. It will readily be realized that under this form of the non-forfeiture condition, it is not a simple matter to calculate the precise moment at which the non-forfeiture period terminates, and if the critical event occurs and a claim is lodged, it may be difficult to satisfy the claimant that the event occurred after the termination of the period.

A method which in its effect approximates to the foregoing but which simplifies the determination of the moment at which the non-forfeiture period terminates, is to use the surrender value at the date of the first unpaid premium to pay premiums for so long a period as such surrender value will cover. In this case allowance for increase in the surrender value is offset against interest on the unpaid premiums.

Instead of aiming at keeping the assurance in force for the maximum period possible, we may frame the condition with the object only of giving a reasonably long period to rectify an accidental omission to pay a renewal premium or to overcome a temporary difficulty in finding the money. With this more limited object, there will not be the same necessity to treat premiums advanced as actually paid for the purpose of computing the surrender value and we arrive at the simple form of the condition, under which the surrender value at the date of the unpaid renewal premium is applied to pay the premiums for the following year, or so much of the year, as the surrender value permits and at the expiry of the year, or part, the assurance lapses. The surrender value remaining would be held at the disposal of the policy-holder.

The successful drafting of a non-forfeiture condition calls for a very clear conception of the privilege we propose to give, particularly with respect to the following points—

1. Whether the protection is limited to policies becoming claims, or is extended to give the privilege of revival without proof of good health.
2. Whether the surrender value at the date of the unpaid renewal is to be the maximum advance, or whether the surrender value is to be recomputed during the period treating premiums advanced as paid.
3. Whether any maximum period short of the natural limit is to be fixed.

4. Whether profits declared during the non-forfeiture period are to attach to the assurance.

5. Whether premiums are to be apportioned from day to day or in periods such as three months, six months, or one year.

Indications as to how these points may be dealt with will be provided by the following conditions, giving unlimited and limited non-forfeiture respectively—

UNLIMITED NON-FORFEITURE CONDITION—

"When this policy has acquired a surrender value, then notwithstanding an omission to pay any subsequent premium or premiums the policy shall remain in force unless and until the surrender value of the policy becomes exceeded by the total of the amount due in respect of premiums and in respect of any loan made on the Policy by the Company and of the accumulated compound interest at 5 per cent per annum with half-yearly rests on the amount of the premiums and loan (if any). For the purpose of determining the surrender value, premiums falling due and bonuses declared before the surrender value is exceeded by the charges as aforesaid shall be deemed to have been paid and added and a proportionate period during which the policy shall remain in force shall be allowed from the date when the last unpaid premium was payable for any balance of the surrender value remaining unexhausted at such last-mentioned date, the premium for this purpose being apportioned from day to day. The amount of premiums falling due and interest thereon accumulated during the period this policy remains in force by reason of this condition shall be a first charge on the policy in priority over all other charges and the Company shall not be bound to accept any premium falling due while any charge created under this condition exists, but otherwise shall accept premiums tendered while the policy is in force."

LIMITED NON-FORFEITURE CONDITION—

"If at the expiration of the days of grace any renewal premium remain unpaid and at that date this policy has a free surrender value exceeding any loan made by the Company and accumulated interest thereon this policy shall not lapse but shall remain in force for such period not exceeding one year from the due date of the first unpaid renewal premium as such free surrender value at the date aforesaid will allow. The Company shall be entitled to deduct all unpaid premiums with interest thereon from the policy moneys in the event of a claim arising during such period as aforesaid and the proposer's right to continue the assurance by further premium payments shall be subject to the payment of all unpaid premiums with interest thereon."

Period of Conditional Revival

The third period during which some measure of benefit is preserved to the policy-holder, the period of conditional revival, is the least common. The condition fixes a period during which the policy-holder has the right to revive the assurance on proof satisfactory to the office of the good health of the life assured and payment of arrears of premium, interest, and fine. Where no condition exists,

such revival would commonly be allowed and the condition may be regarded mainly as one giving information to the policy-holder. The period would commence immediately after the days of grace, or the non-forfeiture period, as the case may be, and its length is arbitrary, for example, two years. It may be noted here that some policies fix an arbitrary period, during which revival is allowed, provided the critical event has not occurred. As the length of the non-forfeiture period is dependent on the circumstances of each individual policy, such arbitrary revival period will terminate sometimes before and sometimes after the non-forfeiture period. In the latter case, such policies create the somewhat anomalous situation that they may be revived even though the life assured be on his death-bed, but are, nevertheless, void the moment death occurs.

Non-forfeiture : Proportionate Paid-up Policies

There is another form of non-forfeiture condition applicable to whole of life assurances by limited payments, endowment assurances, double endowments, pure endowments, and some other policies. It is provided that if the renewal premium be not paid within the days of grace the assurance will automatically (or sometimes on application) become paid up for that proportion of the sum assured which the number of premiums paid bears to the number originally payable. The condition does not usually operate until a certain number of premiums have been paid, for example, two years' premiums; and where the assurance is with profits the bonuses attaching may, or may not, be subject to proportional reduction, and the paid-up policy may, or may not, participate in future profits in respect of the reduced sum assured. These are points to be made clear in the condition and, further, if the policy bear any restrictive conditions under which extra premiums may become payable, it may be necessary to provide that the paid-up assurance shall be free from ordinary premiums only, and shall still be liable to extra premiums (or reduction of amount) if additional risks be incurred.

If the policy bear a non-forfeiture condition under which it is maintained in force out of the surrender value it cannot, of course, be granted also proportional non-forfeiture. It may, however, be provided that a proportional paid-up policy will be granted on

application, and in such a case it is important to make clear that application must be made before the expiry of the days of grace; otherwise a part of the reserve will have been expended in giving extended cover for the full sum assured, and there will be insufficient to set up a paid-up policy for so large an amount as the proportional m.

The condition will be worded somewhat as follows—

In the case of non-payment of premium within the days of grace and provided two full years' premiums shall have been paid, this policy shall not lapse but on the expiration of the days of grace will become automatically paid-up for that proportion of the sum assured which the number of premiums actually paid bears to the number originally payable. Any bonus additions attaching to the policy shall continue to attach to the paid-up policy but the paid-up policy shall not participate in the profits of the Company. The paid-up policy shall be subject to the conditions endorsed hereon and in particular to conditions numbered—(*Restrictive Conditions.*)

A similar method of non-forfeiture might be applied to whole of life and other policies not subject to premiums payable for a definite fixed period. It would not, of course, be possible in such cases to calculate the paid-up policy on a proportional basis.

Surrender Values and Paid-up Policies

Policies usually contain a condition relative to surrender values and paid-up policies, but except where the paid-up policy is the proportional amount, just described, these conditions are rarely very informative. Some conditions merely state the number of years' premiums which must be paid before a surrender value may be claimed. Others give in addition a basis of guaranteed minimum values, such as 40 per cent of all premiums paid, exclusive of the premiums for the first year, together with the cash value of any bonus additions. Where the condition is to appear on a schedule policy to be used for several different forms of assurance, for different terms and at different ages, it has been found impossible to state a basis of minimum values which gives results even approximate to the actual values granted. What is a very generous basis for one policy may be quite inadequate for another.

The only alternative to a condition guaranteeing a very small minimum seems to be a schedule of surrender values and paid-up amounts applicable to the particular policy. Such a schedule adds considerably to the trouble and cost of preparing policies, and it is

open to the further objection that its inclusion in the policy is not unlikely to lead to a greater proportion of surrenders than would be experienced if the policy-holder were obliged to make application before learning the amount of cash he could obtain.

Specimen wording—

Provided not less than two complete years' premiums have been paid this policy may be surrendered to the Company for a cash payment which will not be less than 40 per cent of all premiums paid to the Company in respect of this policy exclusive of the premiums for the first year of assurance or may be converted into a paid-up policy for a reduced amount.

Loans

Almost all offices grant loans on their policies at a moderate rate of interest up to nearly the full amount of the surrender value, but it is not usual to confer this privilege as a condition of the assurance. This, however, is sometimes done, and the rate of interest either stated definitely or in relation to bank rate with a fixed minimum.

Arbitration Clause

Offices do not regard their policies or their contracts as likely to be the subject of dispute. In fact, some offices insert clauses declaring the policy to be indisputable other than on the ground of fraud. For this reason life policies rarely contain an arbitration condition, but its effect may be noted.

The Arbitration Act, 1889, provides that if any party to any submission in respect of any matter agreed to be referred to arbitration commences legal proceedings in any court, the other party or parties may apply to the court to stay the proceedings. If a condition is inserted in the policy, providing that any dispute arising between the office and any person claiming under the policy shall be referred to arbitration, such condition would be construed as an agreement between the parties to submit to arbitration and action in the courts could be stayed.

Specimen wording—

If any difference shall arise between the Company and any person claiming under this policy as to any matter touching the rights or liabilities of the Company or of any such person such difference shall be referred to the decision of a sole Arbitrator to be agreed between the parties or appointed under the provisions of the Arbitration Act, 1889 (in Scotland, The Arbitration [Scotland] Act, 1894), whose award shall be final and shall be a condition precedent to any liability of the Company.

CHAPTER XII

ADAPTATION OF THE GENERAL FRAMEWORK TO VARIOUS FORMS OF ASSURANCE

THE form of policy given on page 132, bearing a set of conditions such as are discussed in the preceding chapter, will be sufficient for drafting policies for many of the important classes of life assurance contract. Differences in the nature of the contract are given effect to by varying the wording employed in completing the schedule and the wording of special conditions.

Other classes of contract require some modification of the general framework or of the general conditions.

Consider first those classes which can be dealt with by variations in the schedule only.

Whole of Life Assurance by Premiums Throughout Life

The contract is one to pay the sum assured on the death of the assured in consideration of premiums payable throughout life, and the following indicates the manner in which the schedule may be completed.

The Proposer		Name, address, and description.
The Assured		Name, address, and description, or (if own life assurance) "The same."
Sum Assured	(a) Amount	One thousand pounds (£1,000).
	(b) Whether with or without profits	With profits.
	(c) To whom payable	The Proposer, his executors, administrators or assigns or (if own life assurance) The executors, administrators or assigns of the Proposer. (N.B.—As the term "administrator" is not applicable in Scotland this word may be omitted from policies granted to persons domiciled in Scotland.)
Event on the happening of which the sum assured is to become payable		The death of the Assured.

Premium	(a) Amount	Twenty-seven pounds (£27 0s. 0d.).
	(b) Date or dates when payable	1st January.
	(c) Period during which payable	The whole duration of the assurance.
Special Conditions		None.

Whole of Life Assurance by Limited Premiums

The only difference between this contract and the foregoing is that premiums are limited to a specified term. Against the heading "Premium : Period during which payable," we may fill in, say, "Until . . . day of . . . 19.. inclusive or until the earlier death of the assured." This, of course, is what is intended, but it may appear unnecessary to go to the trouble of excluding explicitly premiums falling due after the happening of the event upon which the sum assured is payable.

Endowment Assurance

The sum assured is payable at the expiration of a specified period (or sometimes on the attainment of a specified age) or at earlier death, and premiums are usually payable throughout the duration of the assurance, although they may be limited to a term shorter than that of the endowment. The completion of the schedule will be similar to that for a whole of life assurance except under the following headings—

Sum Assured, To whom payable	. The Proposer, his executors, administrators or assigns.
Critical Event	. . . . . The expiry of the full term of 20 years from the 1st day of January, 19.. (or date hereof), or the earlier death of the Assured. (or for a policy payable on the attainment of a given age. The survival of the Assured to the age of 55 years or the earlier death of the Assured.)
Premium, Period during which payable	The whole duration of the assurance (or for limited payment policies. Until .....day of....., 19.... inclusive.)

“Family Protection” or “Safeguard” Policy

The normal schedule may be used for this type of policy provided that the definition of “Sum Assured,” “Amount,” be suitably worded, a special clause being inserted under the heading “Special Conditions.”

The wording to be used in defining the amount of the sum assured will vary with the type of policy and the exact benefit given. The following might be employed in cases where the sum assured is payable immediately upon death—

A. Whole of Life Assurance.

A Capital Sum of.....pounds (£) on the death of the Assured and if the death of the Assured should occur during the period ending on the day of 19.. (which period is hereinafter referred to as the Stated Term) such further Capital Sum, if any, not itself exceeding a total of pounds (£) as may be payable in terms of the Special Provision herein contained.

B. Endowment Assurance.

A Capital Sum of pounds (£) on the day of 19.. or on the previous death of the Assured, and, if the death of the Assured should occur during the period ending on the day of 19.. (which period is hereinafter referred to as the Stated Term) such further Capital Sum, if any, not in itself exceeding a total of pounds (£) as may be payable in terms of the Special Provision herein contained.

Where the sum assured is not payable in the event of death during the Stated Term until the expiry of such term the necessary adjustments to the above-mentioned wording are obvious.

In all cases the Special Provision might be worded as follows—

If the Assured should die during the Stated Term, the further Capital Sum payable under this policy shall be an amount bearing the same proportion to pounds (£) as the unexpired portion of the Stated Term at the date of such death bears to the whole of the Stated Term. Such further Capital Sum shall be payable by equal quarterly instalments of pounds (£) each, spread over the remainder of the Stated Term, the first quarterly payment to fall due three months after the date of death of the Assured with a final payment (to be made on the day of 19..) of a proportionate part of a full quarterly instalment of £ in respect of the period then elapsed from the immediately preceding quarterly due date or from the date of death of the Assured if it has occurred during the last three months of the Stated Term.

Joint Whole of Life Assurance

The sum assured is payable on the first death of the two or more lives assured and, usually, to the survivor or survivors. This case

will be met by making the schedule heading "The Proposer" plural and completing as follows—

The Proposers	Names, addresses, and descriptions.
The Assured	The same.
Sum Assured, To whom payable	The Survivor of the Proposers or the assigns of the Proposers.
Critical event	The Termination of the joint lifetime of the Assured.

As mentioned on page 26, rebate of income tax cannot be obtained in respect of the premiums payable under such a policy, unless the persons involved are husband and wife. If, however, the schedule be completed in the following manner it is probable that each life will be able to obtain rebate in respect of his own portion of the total premium, provided of course that he pays such portion himself—

The Proposers	Names, addresses and descriptions (A & B).
The Assured	The same.
Sum Assured, to whom payable	See Special Provisions.
Critical Event	See Special Provisions.
Special Provisions	<ol style="list-style-type: none"> 1. The sum of.....pounds (£.....) to be payable to the executors, administrators or assigns of A in the event of his death before B, but not otherwise, subject to the payment of the annual premium of..... pounds (£.....). 2. The sum of.....pounds (£.....) to be payable to the executors, administrators or assigns of B in the event of his death before A, but not otherwise, subject to the payment of the annual premium of..... pounds (£.....). 3. Provided always that the two annual premiums mentioned in special provisions Nos. 1 and 2 shall be payable to the Company at the same time, and if the policy shall be unrenewed at any time by reason of the non-payment of any of the premiums that have fallen due it shall not be reinstatable in respect of one part of the policy only unless the Company be willing to issue and issues a new policy therefor.

The sum payable under special provisions Nos. 1 and 2 is in each case the full sum assured by the policy, while the sum of the two premiums mentioned is the full premium due under the policy. This full premium may be divided between the two provisions in any

reasonable manner. The two portions will not be the corresponding office premiums for the two contingent survivorship assurances involved, the sum of which would exceed that for the joint-life policy. It is owing to this fact that it is necessary to insert provision No. 3 so as to prevent a contingent survivorship policy being obtained at a very low rate of premium.

Joint Life Endowment Assurance

This policy will differ from the normal joint whole of life policy in respect of the description to whom payable and of the critical event—

Sum Assured, To whom payable	(a) At the expiration of the full term of 20 years from the date hereof to the Proposers jointly or their assigns. (b) At the termination of the joint lifetime of the Assured within the said term to the survivor of the Proposers or the assigns of the Proposers.
Critical Event	The expiry of the full term of 20 years from the date hereof or the termination of the joint lifetime of the Assured should that occur earlier.

The necessary alterations in the wording of the special form of policy are obvious.

Double Endowment Assurance

Under this contract an amount is payable at death before maturity or double that amount at maturity. The heading in the schedule, relating to the critical event, requires slight alteration and the two amounts assured will be mentioned. Otherwise the completion of the schedule is similar to that for an endowment assurance—

Sum Assured, Amount	£200 or £100 according to the event on the happening of which the sum assured becomes payable.
Events on the happening of which the alternative sums assured are to become payable and the amount payable in each event	£200 on survival by the Assured of the full term of 20 years from the date hereof or £100 at the earlier death of the Assured.

Debenture Policy

The contract which goes by this name is usually an endowment assurance with a special provision that the office shall retain the sum assured for a fixed term after the happening of the critical

event and, while so retaining the amount, pay an annuity representing interest on the sum assured. One method of drafting this policy on the ordinary schedule form is to substitute the word "Benefits" for "Sum assured" throughout, and to add the words "Benefits and," before the heading in the schedule relating to the critical event. We shall then proceed—

Benefits	(a) Amount	As described below.
	(b) Whether with or without profits	Without Profits.
	(c) To whom payable	The Proposer, his executors, administrators or assigns.

Benefits and events on the happening of which the benefits are to become payable

1. An annuity of £100 payable for a term of 20 years certain by equal half-yearly instalments of £50, the first of such instalments to be paid at the end of six months from the death of the Assured if that shall occur before 1st January, 1955, or at the end of six months from 1st January, 1955, if the Assured shall survive to that day; and
2. The sum of £2,000 payable with the last half-yearly instalment of the said annuity at the expiration of the said term of 20 years.

Instalment Policy

Under this type of policy the sum assured is payable in a fixed number of instalments, commencing on the occurrence of the critical event and continuing irrespectively of any contingency. It is to be distinguished from those contracts under which the sum assured may be paid in instalments or in a lump sum according to which of the alternative events occurs. The requisite modification of the ordinary form of assurance will be given effect to under the schedule heading—

Sum Assured, Amount	£500 by five annual instalments of £100 each beginning immediately on the happening of the event on which the sum assured is stated to become payable.
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Provision for Education: Endowment Assurance by Limited Premiums

In an earlier chapter it has been mentioned that one method of providing a series of annual payments for the education of children

is for the parent to effect a number of endowment assurances maturing in successive years, the premiums being limited to the period before the first endowment matures. Instead of having a number of policies, the same benefits can be given by one policy. The policy will be drafted as an endowment assurance, except for the variations in the heading and the completion of the schedule indicated—

Sum Assured, Amount	As described below.
Sum Assured and events on the happening of which respective parts of the sum assured are to become payable	£500 payable as to £100 at the expiry of 10 years from the date hereof or at the earlier death of the Assured and as to four further sums of £100 each at the expiry of 11, 12, 13, and 14 years respectively or at the earlier death of the Assured.
Premium, Period during which payable	Until the.....day of....., 19.. inclusive.

It should be noted with regard to both this policy and the instalment policy that, if the surrender value condition provides for values on a minimum basis, it will probably be necessary to make clear that this basis is not applicable to surrender taking place after part of the sum assured has become payable.

Guaranteed Bonus Policy

The policy may be drafted on the ordinary schedule form—

Sum Assured, Amount	£500 and a Guaranteed addition of £10 in respect of each yearly premium paid.
Whether with or without profits . .	Without profits.

War Loan Policies

The simplest form in which life assurance has been associated with the Government Loans is by the grant of a policy under which the sum assured is payable in stock or bonds instead of in cash. The ordinary schedule form of policy can be adapted by altering the phrase "pay the sum assured, etc.," into "transfer the stock assured mentioned in the schedule to the person or persons to whom the same is therein expressed to be transferable," and by making corresponding alterations where other references to the sum assured occur. This leaves several other matters to be dealt

with to render the policy free from ambiguity in certain events which may arise, and the following points may be mentioned—

1. Whether the office is entitled to the interest accrued between the last preceding dividend date and the happening of the critical event.

2. Whether in the event of conversion options being offered the company or the policy-holder is to exercise the option.

3. What is to be the company's subsequent liability in the event of redemption of the stock taking place prior to the happening of the critical event.

4. Whether the claimant is to have the option of taking cash :
(a) at the market price ; or (b) at the issue price of the stock instead of taking transfer.

These matters may be made the subject of special provisions, but it is probably better to regard this type of contract even in its simplest form as calling for a special policy form.

The foregoing are the important classes of assurance to which the ordinary schedule form of policy can be adapted by variations in wording employed in completing the schedule. There are certain other classes to which the form will be applicable if certain conditions are deleted. These will next be considered.

Term Assurance

These assurances do not require the accumulation of a reserve, and no surrender value is usually allowed or paid-up policy granted. The policies are not therefore protected by a non-forfeiture clause. To render the ordinary form applicable, we must therefore delete the condition relating to surrender values, paid-up policies, loans, non-forfeiture, and unconditional revival.

Critical event The death of the assured should
that occur before.....day of.....
19.....

Decreasing Term Assurance

The only difference between this contract and the ordinary term assurance is that the sum assured is, and the premium may be (see page 39), reduced periodically, usually at yearly intervals. This

difference will be given effect to in the schedule by detailing the amount assured and the premium in each year—

Sum Assured, Amounts :

£..... to.....day of.....19.....both inclusive

£.....from.....day of.....19.... to.....day of.....19....both inclusive

£.....from.....day of.....19.... to.....day of.....19....both inclusive

Premium, Amounts and dates when payable :

£..... at the outset

£.....on.....day of.....19.....

£.....on.....day of.....19.....

Convertible Term Assurance

This policy will be identical with that for a term assurance, with the addition of the special condition conferring the right of conversion. The wording of the special condition will, of course, depend on the precise scope of the option given. The following condition allows conversion into a whole of life assurance or an endowment assurance at the office rate current when the convertible term policy is effected.

Special Condition.

On application the company will at any time before (date) during the currency of the policy issue in lieu thereof a new policy under the whole of life or endowment assurance tables assuring £ (the sum assured under the term policy) on the life of the assured, subject to the payment of the uniform premium at the tabular rate in the company's now current life prospectus for the age next birthday as at the date of the transaction, provided the title of the applicant to call for such new policy be established to the satisfaction of the company.

If the assured should have been rated up for the convertible term policy, it will be necessary to amplify that part of the special condition which fixes the rate of premium for the new policy so that the extra premium (or contingent debt) is determined by the special condition.

Reduced Early (or Half) Premium Policies

These policies have many points of similarity to convertible term policies. The contract is drawn to provide for continuance as a whole of life assurance after the reduced premium period, subject to a premium stated in the contract. It is common, however, to

provide also for conversion into some other form of assurance. The conditions relating to surrender, paid-up policies, etc., will not apply during the reduced premium period. The ordinary form of policy can be used with the schedule completed as follows—

Whether with or without profits	With profits after.....(date) (or without profits).
Premiums (a) Amount	(a) Reduced Early Premium £.....
	(b) Enhanced Premium £.....
(b) Period during which payable	The Reduced Early Premium for the first five years of the assurance and the Enhanced Premium for the remainder of the duration of the assurance.
Special Conditions	1. No allowance shall be made by the Company for the surrender of this assurance before.....(date) and Conditions numbered.....relating to surrender values, paid-up policies, etc., respectively shall not be applicable to this assurance until .....(date) and then only in respect of the Enhanced Premiums paid.
	2. Similar condition to that for Convertible Term policies, if the option of conversion into other forms of assurance is to be allowed.

Contingent Survivorship Assurances

These may be regarded as term assurances under which the term instead of being fixed at the outset is determined by the continued existence of the counter life. As with term assurances the conditions relating to surrender values, paid-up policies, loans, non-forfeiture, and unconditional revival must be deleted. The schedule will be made to provide for the name, etc., of the counter life, and the following indicates the method of adapting the schedule—

(a) The Assured	(a) Name, address, and description.
(b) The Counter Life	(b) Name, address, and description.
Critical event	The death of the Assured should that occur before the death of the Counter Life.
Premium, Period during which payable	The joint lifetime of the Assure and the Counter Life.

CHAPTER XIII

POLICIES FOR OTHER CLASSES OF ASSURANCE

IN this chapter we shall consider first those forms of policy which require some modification of the general framework or of the general conditions of the ordinary form, and then pass to the consideration of policies differing altogether from the form indicated in Chapter XII.

Pure Endowment with Return of Premiums

This is a contract to pay a sum at the expiry of a specified term if the life survive, and to return the premiums in the event of the life dying before the expiry of the term. Some policy-drafters seem reluctant to speak of this form of contract as an assurance or of the life as "the assured" or "the life assured." Thus in one policy the contract is called an endowment, the proposer the grantee, and the assured the nominee. This is a matter of choice, but in this work we shall adhere to the expressions already chosen.

If the ordinary form is used as a basis on which to construct this policy, the body of the policy and the schedule do not require alteration. Coming to the conditions, we shall first require to omit all restrictive conditions as, there being no benefit other than the return of premiums at death, restrictive conditions are unnecessary. The surrender value condition will require alteration. These policies usually carry a surrender value equal or nearly equal to the death benefit. For example, where the death benefit is the return of the whole of the premiums with compound interest at $2\frac{1}{2}$ per cent, the surrender value might be 95 per cent of the premiums paid with 2 per cent interest, or the full premiums paid with 2 per cent interest less the first premium. The substituted surrender value condition might read—

Upon this policy being surrendered to the Company 95 per cent of all premiums paid with compound interest at 2 per cent per annum with yearly rests will be returned.

It is not usual to mention the alternative of a paid-up policy although this may be done.

The form of non-forfeiture condition which keeps the assurance in force for a specified period is inapplicable. The surrender value may usually be claimed after any reasonable time from the discontinuance of premium payments, and the slightly larger amount which may be payable on the death of the assured can hardly be made the subject of a non-forfeiture condition of this character. It is practicable to give that form of non-forfeiture under which the policy automatically becomes paid-up for that proportion of the sum assured which the number of premiums paid bears to the number originally payable, and, if this is included in endowment assurance and limited payment whole of life policies, it should be included also in the pure endowment policy. If our ordinary form of policy contains a loan condition, we may include this unless the policy is made payable to a person other than the proposer, his executors, etc. It is safer not to lend if the applicant is not the party to give the discharge for the policy, and especially if the loan is requested during the minority of the beneficiary.

This type of policy is commonly effected by a parent or guardian as proposer on the life of, and for the benefit of, a child, and in completing the schedule under the heading "Sum assured, To whom payable," we are presented with a choice of methods. The simplest and perhaps the most satisfactory method is to make the sum assured payable to "the proposer, his executors, administrators or assigns." This retains the interest in the policy in the hands of the proposer throughout, and leaves him to apply the proceeds of the policy to the benefit of the child to such extent and in such manner as the circumstances at the time of maturity may warrant. Another method, suitable more particularly when the policy is to mature after the child has attained his majority, is to make the sum assured payable to the child, the death benefit and surrender value being payable as in the previous method to the proposer. A third method, applicable when the policy matures during the minority of the child, is to make the sum assured payable to "the Proposer, his executors, administrators or assigns or to such other person as the Proposer shall in writing appoint for that purpose, to be held in trust for the benefit of the child." Both the second

and third methods may be objected to on the ground that they attempt to make the policy itself do the work which should properly be done by a separate instrument, such as a deed of assignment or a declaration of trust. When the policy is granted on an adult life, who will usually be the proposer, the sum assured will be made payable to "the Proposer or his assigns." The only points in the schedule which need be mentioned are—

Critical Event	The survival of the assured to..... (date).
Special Condition	Should the death of the assured occur before.....(date) the whole of the premiums paid under this assurance (with compound interest at the rate of 2½ per cent per annum with yearly rests) will be returned to the Proposer, his executors, administra- tors or assigns in discharge of all claims under this assurance.

Before leaving this class of policy it may be noted that, if the policy is issued on the life of a person who is eligible for income tax abatement in respect of life assurance premiums, the premiums will not be allowable for the abatement if the policy is drawn with the death benefit defined as in the special condition above. The Revenue authorities take the view that a return of premium does not constitute a capital sum payable at death. If, however, instead of defining the death benefit, as above, a schedule of the sums payable at death in each policy year is included in the policy, the abatement will be allowed in respect of that portion of the premium which does not exceed 7 per cent of the sum payable at death each year.

Pure Endowment with Return, Premiums Ceasing on Death of Proposer

This contract is similar to that last discussed except that premium payments are made to cease at the death of the proposer. The sum assured is still payable only on the survival of the assured to the maturity of the policy. There being a liability on the death of the proposer to set up a valuable paid-up policy for the full sum assured, it will be proper to include in the policy any restrictive conditions we deem necessary in the ordinary form, and to make them applicable to the proposer. In calculating the surrender value the additional premium paid for the cessation of premium

benefit may or may not be excluded. The surrender value condition will be worded similarly to that for the ordinary pure endowment, but making it clear that no additional surrender value is payable in respect of the additional premium, if such be the case. An on-forfeiture condition keeping the assurance in force may suitably be retained, but will require some slight modification of wording to make it clear that the benefit at the death of the proposer during the non-forfeiture period is not the payment of the sum assured, but the cessation of premiums only, and that unpaid premiums up to the death of the proposer must be paid in cash or else will accumulate with interest as a debt to be deducted at maturity. The schedule heading, "Premium, period during which payable," will be filled in, say, "Until . . . day of . . . 19.. or until the earlier death of the Proposer." The special condition will be similar in form to that for the pure endowment but may not be identical, since the office may not wish to make so generous a return in respect of the additional premiums paid for the cessation of premium benefit. The condition might give return in full but without interest.

Educational Endowment

One form of this policy has already been discussed (*see* pages 150 and 151). The contract may also take the form of a pure endowment, with return (with or without cessation of premiums on death of proposer), under which the sum assured is payable by instalments. In this case the appropriate form of policy for payment in one sum will be used, and the modification given effect to in the schedule in the manner indicated for instalment policies on page 150.

It must be made clear that the special condition governing the death benefit and the conditions relating to surrender, paid-up policies, etc., are not applicable after the date on which the first instalment of the sum assured becomes payable. Once the instalments have commenced they will continue irrespectively of the continued survivance of the child.

Pure Endowment Without Return

Under this contract, payment of the sum assured is made if the

assured survives the specified term, but in no other event is anything at all payable. The policy will not bear any restrictive conditions or any conditions giving surrender values, paid-up policies, loans, non-forfeiture benefits, etc. The body and schedule of the ordinary form of policy will serve, and in completing the schedule we shall insert—

Special Condition In the event of the death of the assured before.....(date) no return of premiums or payment of any kind will be made by the Company in respect of this assurance.

Child's Deferred Assurance with Options

This is a form of assurance effected on the lives of children under which, in consideration of premiums paid usually throughout the duration of the assurance, the office contracts to pay the sum assured on the death of the child assured after age 21 or 25. At the age at which the deferred assurance is entered upon various options may be exercised. The policy differs in several important respects from the ordinary form discussed in Chapter XII, and instead of indicating the points of variation from this form the policy is set out below—

WHEREAS the Proposer named in Schedule A hereto is desirous of effecting on behalf of himself and the Assured named in Schedule A an assurance with the Assurance Company, Ltd., (hereinafter called "the Company"), and has signed and caused to be delivered to the Company the proposal and declaration mentioned in Schedule A such proposal and declaration being hereby declared to be the basis of the contract between the Company and the Proposer

And whereas the Proposer has paid to the Company a first premium of the amount stated in Schedule A

Now this Policy witnesseth that in consideration of the payment of the premiums as provided by Schedule A and unless the Proposer shall on or before the Option Date mentioned in Schedule A give notice in writing of his intention to exercise one of the Options specified in Schedule B the Company will subject as hereinafter mentioned pay the sum assured mentioned in Schedule A to the person or persons to whom the same is therein expressed to be payable upon satisfactory proof having been received and allowed of the happening of the event mentioned in that behalf in Schedule A

Provided always and it is hereby declared that the Schedules and all the conditions endorsed hereon are to be deemed part of this Policy and of the contract between the Company and the Proposer.

SCHEDULE A

The Proposer		Name, address and description.
The Assured		Name and address.
Date of Proposal and Declaration		
Sum Assured	(a) Amount	
	(b) Whether with or without profits	With Profits from the Option Date.
	(c) To whom payable	The Assured his executors administrators or assigns.
Event on the happening of which the sum assured is to become payable		The death of the Assured after the Option Date.
Option Date		(Date assured attains age 21 or 25 or the policy anniversary preceding the attainment of the age).
Premium	(a) Amount	
	(b) Date or Dates when payable	
	(c) Period during which payable	The whole duration of the assurance.
Special Conditions		<p>(1) Should the Assured die during the currency of this policy and before the Option Date the Company will refund to the Proposer his executors or administrators the whole of the premiums paid to the Company in respect of this assurance.</p> <p>(2) In the event of the surrender of this assurance before the Option Date the discharge of the Proposer his executors administrators or assigns may be accepted by the Company as sufficient.</p> <p>(3) If this assurance shall be in force on the Option Date it shall thereupon vest in the Assured his executors administrators or assigns.</p>

SCHEDULE B

On the Option Date any one of the following options may be exercised—

- I. To continue the assurance in the form of an Endowment Assurance with profits payable to the Assured his executors administrators or assigns subject to the payment throughout the duration of the assurance of the same premium as before
 - (a) For a sum assured of £..... payable at the expiry of 30 years from the Option Date or at the earlier death of the Assured; or
 - (b) For a sum assured of £..... payable at the expiry of 15 years from the Option Date or at the earlier death of the Assured.
- II. To continue the assurance in one of the following forms payable to the Assured his executors administrators or assigns free from the payment of further premiums
 - (a) As a Whole of Life Assurance with (or without) profits for a sum assured of £..... payable at the death of the Assured.
 - (b) As an Endowment Assurance with (or without) profits for a sum assured of £..... payable at the expiry of 30 years from the Option Date or at the earlier death of the Assured.
 - (c) As an Endowment Assurance with (or without) profits for a sum assured of £..... payable at the expiry of 15 years from the Option Date or at the earlier death of the Assured.
- III. To surrender the assurance for a Cash Payment of £..... payable to the Proposer his executors administrators or assigns.

Under this form of contract, as the policy is usually drawn, the effect is that up to the option date the premiums are payable, and the benefits receivable, by the proposer and thereafter premiums are payable, and benefits receivable, by the assured. The contract is not made with the assured although at the option date the benefit passes to him. This presents certain legal difficulties and, apparently, under English law the assured could never sue the company unless he could successfully maintain that, by the terms of the contract, the company was constituted trustee in his favour. In a recent Scottish case, where death occurred after the option date and dispute arose between the executors of the assured and the proposer, the House of Lords decided in favour of the assured, but on evidence taken along with the terms of the policy and not on the terms of the policy solely.

It is a matter of choice whether the options are made exercisable by the proposer or by the assured, and also as to whether any period of notice, such as three or six months, is required of intention to take any particular option. The options granted vary with different offices, and those mentioned in the Schedule B above are inserted to indicate the form of the schedule only. There may be an option to take a whole of life limited payment assurance, and

certain of the options may be exercised either for a reduced sum assured at the same premium, or for the same sum assured at an increased premium.

With regard to the conditions there will, of course, be no need for restrictive conditions operating prior to the option date on which the assurance commences. Whether restrictive conditions are to be inserted to commence to operate on the option date will depend on similar considerations to those governing the insertion of such conditions in the ordinary form. Although the policy has been effected earlier, there is at the option date the same option to take assurance or not, as exists with a new proposer, and the office has not the same opportunity to impose special restrictive conditions if the assured is at the time, or has the intention, of incurring extra risk.

The surrender value condition up to the option date will be similar to that under a pure endowment with return and will, of course, be not greater than the death benefit. After the option date the minimum surrender value may be defined as the optional cash payment, plus a proportion of the subsequent premiums paid. Alternatively, a paid-up policy in the form of a deferred assurance may be granted before the option date or in the same form as the assurance has taken, after the option date.

At first sight a non-forfeiture condition operating during the period of deferment may seem unnecessary, as the office is under no liability to pay the sum assured, and the death benefit is either equal to or but little larger than the surrender value. Looking at the matter more closely, it becomes evident that, although the office is under no liability to pay the sum assured, it cannot ignore changes in the risk of having to pay after the period of deferment. If the policy had lapsed and revival were desired, especially toward the end of the period of deferment, it would not be satisfactory to ignore the then state of health of the assured, and in the absence of a non-forfeiture condition proof of good health would be made a condition of revival. There is thus room for a non-forfeiture clause to protect the proposer's right of revival. After the option date the non-forfeiture condition as appearing in the ordinary form would apply.

This policy may be issued with the condition that in the event

of the death of the proposer before the assurance is entered upon no further premiums shall be payable until the option date. This may be effected by a further endorsement as follows—

In consideration of the payment in addition to the premium within mentioned of an extra annual premium of £..... it is hereby agreed and declared that in the event of the death of the Proposer prior to the Option Date no further premiums shall be payable under this assurance until the Option Date. This extra premium shall be payable for a period of years from date hereof or until the earlier death of the Proposer. Until the Option Date conditions numbered (Hazardous Occupation, Foreign Residence and Travel, Suicide, etc.), shall apply to the Proposer as though references therein to the Assured were references to the Proposer.

Sinking Fund or Capital Redemption Assurance

This is a contract to pay the sum assured at the expiry of a specified term irrespectively of any life or other contingency in consideration of premiums payable, usually, throughout the term of the assurance. The policy may be based on the ordinary form with obvious modifications on account of there being no life contingency, and the policy not being a policy of life assurance. In England the policy will be given under hand, unless the instrument constituting the office precludes this course. If under hand the policy requires to be stamped 6d. only as an agreement.

There will be no restrictive conditions and no non-forfeiture condition keeping the policy in force. It is not unusual to shorten the period of grace for payment of renewal premiums to fifteen days, the reason for this being that the premiums are usually such as to leave to the office a small interest profit only, and if full advantage were taken by the policy-holder of the longer period of grace for payment of renewals, this small interest profit would be appreciably diminished. The form of the surrender value condition will be similar to that for pure endowments with return, but it is sometimes provided that the company may require, say, three months' notice of intention to surrender. This is to meet the cases of the very large policies which are sometimes written in this class and the surrender of which, without notice, might cause embarrassment to the office, especially in time of financial stringency or crisis.

Reassurance Guarantee

The method of reassurance by guarantee of a proportion of the original assurance is described in Chapter VI, and the terms of an

arrangement to which many offices subscribe are given. The existence of a very definite understanding between the offices (even where they are not formally parties to the arrangement described) as to the nature of the guarantee, renders it unnecessary to express the conditions fully in the guarantee and the latter is, in fact, a very simple document. The following may be taken as an indication of the form—

The Assurance Company Limited (hereinafter called "the Principal Office") having granted a policy of assurance described in the Schedule hereto and a copy of which is annexed and having paid to..... (hereinafter called "the Guaranteeing Office") a first premium of the amount specified in the Schedule the Guaranteeing Office in consideration of the payment of the premiums as provided by the Schedule and of the proper proportion of any extra premium that the Principal Office may from time to time receive in respect of its said policy hereby agrees that it will relieve the Principal Office of such part of its risk in respect of the said policy as is mentioned in the Schedule.

SCHEDULE

Particulars of Assurance granted by the Principal Office	Policy No.....Sum Assured £..... Name of Assured.....
Amount hereby guaranteed and whether with or without profits	£.....
Premium payable in respect of the Guarantee	£.....payable annually on 1st January throughout the duration of the Guarantee
Special Conditions	<p>(If either office has not subscribed to the reinsurance arrangement the conditions governing the guarantee will be stated. For a guarantee effected at the "with-profit" rate of the Principal Office the following condition would be applicable:—</p> <p>The Guaranteeing Office hereby agrees to allow the same rate of bonus, surrender value, and paid-up policy as may be allowed by the Principal Office in respect of their policy and to follow the Principal Office in regard to the payment of any claims thereunder as well as generally to follow the conditions and regulations of the Principal Office in all matters relating to the said policy.</p> <p>(If both offices have subscribed to the arrangement a condition stating that the Guarantee is subject to the terms of that arrangement.)</p>

If the reinsurance be by way of direct policy the ordinary form of the guaranteeing office will be used, the assurance being payable to the reinsuring office or its assigns.

Annuities

These contracts are much less numerous than assurances, and it becomes particularly desirable to have a form of bond or policy which will fit as many as possible of the different classes of annuity. This object has been kept in view in drafting the following form—

WHEREAS the Proposer named in the Schedule hereto is desirous of purchasing an annuity from the Assurance Company, Ltd., (hereinafter called "the Company") and has signed and caused to be delivered to the Company the proposal and declaration mentioned in the Schedule such proposal and declaration being hereby declared to be the basis of the contract between the Company and the Proposer. And whereas the Proposer has paid to the Company the purchase money mentioned in the Schedule.

Now this Policy Witnesseth that for the consideration hereinbefore mentioned the Company will pay to the Proposer an Annuity as described in the Schedule on receiving in respect of each instalment of the Annuity evidence satisfactory to the Company that the instalment in question has become payable and of the title of the person claiming to receive the instalment.

Provided always that if the Annuity is stated to be apportionable a proportionate payment of the Annuity will be made by the Company in respect of the interval between the date when the last periodical payment becomes due and the date when the Annuity determines and that if the Annuity is stated to be non-apportionable no such payment will be made.

Provided also and it is hereby certified that the said Annuity does not form part of a larger annuity or series of annuities now being granted by the Company in respect of which the aggregate amount or value of the consideration exceeds £500.

It will be seen that the form of policy makes the proposal and declaration the basis of the contract. This is not invariably done, but it is useful to draw the policy in this form to fit the cases of any annuities granted on special terms on evidence as to impaired health.

Unless the policy states that the annuity is non-apportionable, it will be held to be apportionable.

The certification that the contract is not part of a series of contracts is necessary in order that the policy may be stamped at the lower rate applicable when the purchase money does not exceed £500. Where the purchase money exceeds £500 these words will be deleted.

The ordinary form does not require any conditions, and any special provisions necessary to adapt the form to any particular class of annuity will be added in the space provided in the schedule shown on page 166.

SCHEDULE

The Proposer.		
The Annuitant.		
Date of Proposal and Declaration.		
The amount of the Purchase Money.		
Particulars of the Annuity granted.	(a) The amount of the Annuity.	
	(b) The period during which the Annuity is payable.	From.....day of.....19.....until the happening of the event upon which in accordance with this Schedule the Annuity is to cease and determine.
	(c) How payable.	In equal.....instalments of £.....
	(d) The date when the first instalment would fall due.	.....day of.....19.....
	(e) The event on the happening of which the Annuity ceases and determines.	
	(f) Whether apportionable or non-apportionable.	
Special Provisions.		

Completion of Schedule

The methods of completing the schedule for various classes of annuity are briefly indicated—

IMMEDIATE ANNUITY ON SINGLE LIFE—

Particulars of Annuity

- (b) Period during which payable . Fill in date from which annuity commences to accrue, usually the date of payment of the purchase money.
- (d) Date of first payment . . . For a half-yearly annuity this will be a date six months (or for a quarterly annuity, three months) after the date under (b) above.
- (e) Determination of annuity . The Death of the Annuitant.
- (f) Apportionment . . . Apportionable (or Non-apportionable).

IMMEDIATE ANNUITY ON JOINT LIVES—

Determination of Annuity . . . The termination of the joint lifetime of the Annuitants.

IMMEDIATE ANNUITY ON JOINT LIVES AND SURVIVOR—

Determination of Annuity . . . The death of the survivor of the Annuitants.

TEMPORARY LIFE ANNUITIES. Any of the above annuities may be made to cease not later than at the expiry of a certain term. For a single-life annuity the schedule will be filled in—

Determination of Annuity . . . The expiry of.....years from (date under heading (b)) or the earlier death of the Annuitant.

ANNUITY-CERTAIN. In this class the period of the annuity is independent of any life. The heading "The Annuitant" will be deleted and the Schedule filled in—

Determination of Annuity . . . The expiry of.....years from..... (date under heading (b)).

ANNUITY WITH RETURN OF BALANCE OF PURCHASE MONEY. Under this form of the annuity contract in the event of the death of the annuitant before the aggregate of the annuity payments equals the purchase money, the balance is refunded—

Special Provision Should the death of the Annuitant occur before the Company has paid by way of annuity payments sums aggregating to the amount of the purchase money the Company shall upon satisfactory proof of the death of the Annuitant and the title of the claimant pay any balance remaining to the Proposer his executors administrators or assigns.

DEFERRED ANNUITY BY SINGLE PAYMENT. Instead of the annuity payments commencing to accrue immediately on payment of the purchase money, there may be a period of deferment before the annuity commences. In the event of the death of the annuitant during the period of deferment, the purchase money may or may not be returnable. The schedule lends itself readily to this form of annuity. The commencing date of "the period during which payable" will be the deferred date at which the annuity commences to accrue, for example, the date of the sixtieth birthday of the annuitant. The date of first payment will be three or six months

after the commencing date. If the purchase money is returnable at the death of the annuitant during the period of deferment, we shall need special provisions dealing with the death benefit and the surrender value. If the purchase money is not returnable, it is well to have a special provision stating that nothing will be paid either in the event of death or surrender.—

- Special Provisions (1) Should the death of the Annuitant occur before.....(date annuity commences to accrue) and satisfactory proof thereof and of the title of the claimant be given to the Company the whole of the purchase money (with compound interest at the rate of $2\frac{1}{2}$ per cent per annum with yearly rests) shall be returned to the Proposer his executors administrators or assigns.
- (2) Upon this Policy being surrendered to the Company before.....(date annuity commences to accrue) 95 per cent of the purchase money (with compound interest at the rate of 2 per cent per annum with yearly rests) shall be returned to the Proposer his executors administrators or assigns. Nothing shall be payable on surrender of the policy after the said date.
- (or if without return. In the event of the death of the Annuitant before(date) no return of purchase money or payment of any kind will be made by the Company in respect of this Policy.)

DEFERRED ANNUITY BY ANNUAL PREMIUMS. This contract is similar to the pure endowment, with or without return of premiums, and the policy form may be based on that for the pure endowment, with the obvious substitution of references to the annuity for references to the sum assured, and the addition to the schedule of particulars of the annuity similar to those in the annuity policy. Proportional non-forfeiture may be retained, making it apply to the annuity payments instead of to the sum assured.

REVERSIONARY ANNUITY. This is a deferred annuity under which the period of deferment instead of being a specified term is the lifetime of another life. Premiums are usually payable annually during the joint lifetime of the annuitant and the assured life. The policy form will be based on the assurance policy rather than on

the annuity policy, and many of the conditions may suitably be retained. As we shall not require to adapt the form to different kinds of assurance there will hardly be any need to devise a schedule policy, and the following will indicate the essentials of the form—

WHEREAS.....of.....(hereinafter called "the Proposer") is desirous of effecting with.....Assurance Company Limited (hereinafter called "the Company") an assurance by way of a reversionary annuity and has signed and caused to be delivered to the Company a proposal and declaration dated.....such proposal and declaration being hereby declared to be the basis of the contract between the Company and the Proposer

And whereas the Proposer has paid to the Company the sum of.....as the first premium

Now this Policy Witnesseth that in consideration of the said payment and if further premiums of like amount be paid on.....day of.....in every year during the joint lifetime of.....of.....(hereinafter called "the Assured") andof.....(hereinafter called "the Annuitant") then if the Assured shall die during the lifetime of the Annuitant the Company shall pay to the Proposer his executors administrators or assigns an annuity of.....by equal half yearly instalments of.....the first of such instalments to become due six calendar months after the death of the Assured and the annuity to continue during the remainder of the lifetime of the Annuitant subject to evidence satisfactory to the Company being furnished in respect of each instalment that the instalment in question has become payable and of the title of the person claiming to receive the instalment. Provided always that no payment shall be made by the Company in respect of the interval between the date when the last periodical payment becomes due and the date of the death of the Annuitant

Provided always that this policy does not confer the right to participate in the profits of the Company

Provided always and it is hereby declared that all the conditions endorsed hereon are to be deemed part of this policy and of the contract made between the Company and the Proposer.

The conditions will be similar to those for an ordinary life policy with the exception of those relating to surrender values, loans, and non-forfeiture. These will be omitted. Should the annuitant die before the assured, no return of premiums will be made, and it will be as well to emphasize this by including among the conditions an explanatory condition similar to the special condition suggested for pure endowments without return (*see* page 159).

Group Life Assurance

This form of assurance was recently introduced into this country and has been undertaken by relatively few offices. Owing to this circumstance, and also to the special requirements in individual policies, nothing in the nature of a general form of policy has yet been evolved. A specimen is, however, given which will serve to

indicate the main lines of the contract and will direct attention to the points which will require consideration.

Whereas of (hereinafter called "the Proposer") is desirous of effecting an assurance with Assurance Company, Limited, (hereinafter called "the Company") and has signed and caused to be delivered to the Company a proposal and declaration dated . . . day of . . . , 19.., such proposal and declaration being hereby declared to be the basis of the contract between the Company and the Proposer.

And whereas the Proposer has paid to the Company the sum of . . . on account of the premium for the first year of assurance. Now this Policy Witnesseth that in consideration of the said payment the Company on receiving at its Chief Office proof satisfactory to the Directors of (1) the death on or before the . . . day of . . . , 19.., or thereafter during the continuance of this assurance by renewal of any person in the direct employ of the Proposer and in respect of whom premium shall have been paid to the Company by the Proposer (2) the correctness of the declared age of the deceased employee and (3) the title of the claimants will subject as hereinafter mentioned pay to the Proposer or his assigns a sum equal to one year's earnings of the deceased employee.

Provided Always and it is hereby declared that—

- (1) The expression "one year's earnings" shall be interpreted to mean the total amount of the cash payments made by the Proposer by way of wages or earnings to any employee during the year preceding the date of death (or for the purposes of provision number 10 hereunder the date of the termination of employment) of such employee or if at such date the employee shall have been for a shorter period than one year in the service of the Proposer fifty-two times the average weekly amount of such cash payments during such shorter period not exceeding in either case £.....
- (2) The assurance shall cease in respect of any employee immediately upon the termination of continuous and active employment by the Proposer.
- (3) As soon as a new employee shall have been in the active

employment of the Proposer continuously for a period of three calendar months he shall be included in this assurance.

- (4) The amounts to be paid on account of the first and all renewal premiums that may be accepted are to be based on the amounts of earnings estimated to be paid to all persons in the direct employ of the Proposer during each year of assurance and their ages in accordance with the Table of Rates hereunder. The name and date of birth of every person included in this assurance shall be entered in a wages book and the sums paid in wages shall be entered each week in the said wages book. The Proposer shall at all times allow the Company to inspect the said wages book and will on request supply the Company with a correct account of all sums paid as wages during any year of assurance and if the amount so paid shall differ from the amount estimated to be paid the difference in premium shall be met by a further payment to the Company or by a refund by the Company as the case may be.

TABLE OF RATES ABOVE MENTIONED.			
Age next birthday at commencement of the year of assurance.	Annual Premium in respect of each £100 of wages per annum.		
25	£	s.	d.
26			
27			
28			
29			
30			
31			
32			
33			
34			
"			
"			
"			

- (5) If it shall be found that the age of any employee has been understated or overstated the premium in respect of that employee shall be adjusted accordingly.
- (6) In the case of any employee who at the date of this assurance is absent from employment through ill-health the liability

of the Company shall not commence until he has returned to employment and has followed his ordinary pursuits for a continuous period of three calendar months.

- (7) This policy may be renewed from year to year by the Proposer subject however to the Company having the right on or after day of , 19.., to determine the contract on any renewal date on giving not less than one calendar month's prior notice in writing of its intention to do so.
- (8) Fifteen days of grace are allowed for the payment of renewal premiums during which time unless previous notice of determination of the Contract has been given by the Company this assurance continues in full force subject to the deduction of the unpaid renewal premium or any part thereof from any sum becoming payable by the Company under this assurance.
- (9) This policy does not confer any right to participate in profits.
- (10) In the event of an employee leaving the service of the Proposer during the currency of this assurance such employee shall have the right upon written notice being given at the Chief Office of the Company within thirty-one days of the termination of employment to obtain without medical examination a whole of life or endowment assurance at the Company's then current rates according to the then age of the employee for an amount not exceeding one year's earnings of the employee.

Assurances Against Issue—Name and Arms Assurances

The ordinary form of life policy can be adapted for use for these assurances. In the first place it is to be noticed that these assurances are granted by way of indemnity, that is to say the sum assured is not payable absolutely on the happening of the critical event but only to such extent up to the total amount assured as is necessary to indemnify the Proposer for any loss occasioned to him by the happening of the event. The policy wording will be modified so that instead of providing that the Company will pay

the sum assured on the happening of the event mentioned in the schedule, it will provide that the Company will indemnify the Proposer against loss occasioned to him by reason of the happening of the event such indemnity not to exceed the sum assured mentioned in the schedule.

These assurances are almost invariably effected by single premiums and no surrender value is allowed. Conditions relating to renewal premiums, surrender values, loans and non-forfeiture will not therefore appear.

The usual restrictive conditions will be inapplicable and having regard to the object for which the assurances are commonly effected, namely to avoid loss by reason of the defeat of reversionary interests, there will rarely be restrictive conditions of any kind.

The schedule to the policy will be completed similarly to other types of policy, the risk assured against being described with precision under the heading "Event on the happening of which the sum assured is to become payable." A simple example of each type of risk is given—

Critical Event : Issue Risk.	The birth of a child hereafter to the Assured by his present or any future wife.
Name and Arms.	The discontinuance by the Assured of the use of the surname of..... and of the quartering of the arms of .....with the arms of.....

Industrial Assurance Policies

Industrial assurance contracts do not differ fundamentally from ordinary life contracts and the general structure of the policy is similar. Points which give rise to differences in the policy form may be enumerated—

1. Premiums are payable either weekly or lunar monthly. This frequency of premium payments renders it impracticable to regard the failure to pay a single renewal premium in quite the same manner as a similar failure in an ordinary life policy. A period of grace is allowed which may be as long as thirteen weeks, so that before lapse can take place not one only but several renewal premiums must be in arrear.

2. There is not usually a single sum assured payable on the happening of the critical event at any time after the first premium

for the same and shall be conclusive evidence for all purposes that such sum has been duly paid to and received by the person or person lawfully and rightfully entitled to the same and that all claims and demands whatsoever against the Company in respect of this policy have been fully satisfied.

6. Owing to the impracticability of maintaining an index of the multitude of lives assured under industrial assurance contracts, the office has very largely to rely on the proposal to disclose previous assurances on the same life. It has been usual to provide in the policy that it shall be void if previous assurances effected by the proposer were in force on the life and were not disclosed at the time the assurance was effected.

7. The very large number of policies to be written and the necessity of keeping expenses in proper relation to the size of the assurance, render it desirable to reduce the written matter of the policy to a minimum. In ordinary assurance we incur at times a little extra writing in order to reduce the number of printed forms required. In industrial assurance we shall not hesitate to increase the number of printed forms if, by so doing, we can reduce the writing on each. A schedule form is usually employed, being more convenient for writing, but the schedule is extremely simple.

The draft of a policy for assuring funeral expenses is given below—

WHEREAS the Proposer named in the Schedule hereto is desirous of effecting an assurance with the Assurance Company Limited (hereinafter called "the Company") and has signed and caused to be delivered to the Company a proposal and declaration such proposal being hereby declared to be the basis of the contract between the Company and the Proposer

And whereas the Proposer has paid to the Company a first premium of the amount stated in the Schedule

Now this Policy Witnesseth that in consideration of the said payment and if on or before every Monday after the date hereof during the life of the Assured named in the Schedule there shall be paid to the Company a weekly premium of the amount stated in the Schedule then upon satisfactory proof having been received and allowed by the Company of the death of the Assured the Company shall pay the sum for funeral expenses of the Assured mentioned in the Schedule agreeing with the length of time this policy has been issued to the Proposer his executors administrators or assigns

Provided always that the production by the Company of a receipt for any sum payable hereunder signed by the Proposer or any person having been or being either an executor or an administrator or a relative by blood or a connection by marriage of the Proposer shall be conclusive evidence for all purposes that such sum has been duly paid to and received by the person or persons lawfully and rightfully entitled to the same and that all claims and demands whatsoever against the Company in respect of this policy have been fully satisfied

Provided always that this policy is granted on the express condition that the same shall become absolutely void and all premiums paid thereon forfeited to the Company if it be discovered that at the date of this policy the Assured was afflicted with any mental or bodily disease or infirmity or if any untrue averment be contained in the said proposal or if any of the conditions endorsed hereon be not complied with or if the Assured shall die by the hands of justice or by his or her own act (whether felonious or otherwise) or if a policy previously effected on the life of the Assured with the Company shall be in force at the date hereof unless such previous policy has been disclosed in the said proposal or if this policy shall be in any way assigned sold or mortgaged

Provided always and it is hereby declared that the Schedule and all the conditions endorsed hereon are to be deemed part of this policy and of the contract between the Company and the Proposer.

SCHEDULE

The Proposer	The Assured	Weekly Premium	Sum Assured payable at Death of the Assured.
			After six months £ After five years £ After ten years £

Conditions

RESTRICTIVE CONDITIONS. These, if retained, will be similar in form to those for ordinary assurances.

RENEWALS. The period of grace varies considerably. One method is to allow twenty-one days' grace during the first six months of the policy and ninety-one days' grace subsequently. Receipts for premiums are given by entries in a Premium Receipt Book, and a condition of the policy requires that the book shall be produced on application by an authorized officer of the company.

DEATH DURING FIRST SIX MONTHS. The draft policy above defines the sum assured after six months. Conditions would be added: (1) making, say, one-quarter of the "after six months" amount payable at death (otherwise than by accident) in the first three months, and one-half payable at death in the second three months; and (2) making the whole "after six months" amount payable at accidental death in the first six months.

PAID-UP POLICY. On discontinuance after five years' premiums have been paid and provided the assured had attained, say, 16 years of age, a paid-up policy would usually be granted and a condition may be inserted to this effect.

CHAPTER XIV

SPECIAL CONDITIONS

SPECIAL conditions required to adapt the general form of policy to the circumstances of a particular class of assurance have been frequently mentioned in the previous chapters. In this chapter we shall discuss special conditions added to adapt the policy to the requirement of particular policy-holders or classes of policy-holders.

Married Women's Property Act, 1882 ; Married Women's Policies of Assurance (Scotland) Act, 1880

The assurance section of the first-named Act provides briefly—

(a) That a married woman may effect a policy on her own life or on the life of her husband for her separate use.

(b) That a policy effected by a man on his own life and expressed to be for the benefit of his wife and /or children or any of them shall create a trust in favour of the objects named in the policy and shall not be subject to his debts.

(c) That a policy effected by a woman on her own life and expressed to be for the benefit of her husband and /or children or any of them shall create a similar trust.

The section further provides that the proposer may by the policy or by any memorandum under his or her hand appoint a trustee or trustees of the moneys payable under the policy. In default of any such appointment of a trustee the policy immediately on its being effected shall vest in the proposer and his or her legal personal representative in trust for the objects named in the policy, and the receipt of the legal personal representative shall be a discharge to the office for the sum due under the policy.

The Scottish Act is similar in its effect, but the following minor differences may be noted—

1. A policy effected by a married woman must be expressed to be for her separate use.

2. No provision is included that a policy effected by a married woman on her own life and expressed to be for the benefit of her husband, etc., shall create a trust for the objects named.

Both Acts contain provisions to prevent them from being used to defraud creditors.

Where a proposer desires that the policy shall be effected under the provisions of these Acts, the ordinary form of policy can be used by suitably completing the schedule. The method of completing the schedule in the more common cases may be considered.

(a) Whole of Life policy effected by a married woman on her own life—

To whom payable	The executors, administrators or assigns of the Proposer.
Special Provision	This assurance has been effected pursuant to the Married Women's Property Act, 1882. (<i>Or if in Scotland</i> —This assurance has been effected for the separate use of the Proposer pursuant to the Married Women's Policies of Assurance (Scotland) Act, 1880.)

(b) Policy effected by a married woman on the life of her husband—

To whom payable	The Proposer, her executors, administrators or assigns.
Special Provision	As under (a) above.

(c) Policy effected by a man on his own life—

(i) Whole of Life giving wife absolute benefit—

To whom payable	The Trustee or Trustees of the Policy Moneys or to the executors administrators or assigns of the Proposer.
Special Provision	This assurance has been effected pursuant to the Married Women's Property Act, 1882, for the absolute benefit of the Proposer's wife (name) her executors administrators and assigns.

(ii) Endowment Assurance giving wife benefit if she survive husband—

To whom payable . . . The Trustee or Trustees of the Policy Moneys or the Proposer his executors, administrators or assigns.

Special Provision : . . . This assurance has been effected pursuant to the Married Women's Property Act, 1882, for the benefit of the Proposer's wife.....(name) should the Proposer die beforeday of.....19..... leaving her surviving but otherwise for the benefit of the Proposer, his executors administrators and assigns.

The case in which the husband and wife are appointed joint trustees (*see* page 70) will be met by adding to the special provision the words : " The Proposer has appointed his said wife to be a trustee of the Policy Moneys jointly with himself for the purposes of the Eleventh Section of the said Act."

The special provision suggested above will require modification if the policy is to be for the benefit of children or wife and children. Beyond these more simple cases we may have in practice to deal with many variations of the method of naming the beneficiaries and specifying the proportions in which they are to benefit. It is not within the scope of this work to discuss these variations and the legal points arising from them, but the examples given will afford the reader a guide to the method by which the ordinary form of policy is adapted.

Estate Duty Condition

Death duties must be paid before the estate of a deceased person can be dealt with by the executors and if the sum involved be large, considerable difficulty and inconvenience may be experienced in finding cash for this purpose. To obviate these difficulties a special condition may be inserted in the ordinary form of policy, making the policy moneys immediately available on the death of the proposer for direct payment to the Revenue authorities.

This condition may be worded thus—

Provided that the interest in the policy be fully vested in the Proposer at the time of his death should that occur before (maturity date) the Company will at the request in writing of the executors or intending administrators

of the proposer pay all or any part of the amount due under this policy to the Commissioners of Inland Revenue in or towards discharge of all or any part of the estate duty or any similar duty payable out of the estate of the proposer before grant of representation to his estate is obtainable and will pay the remaining balance (if any) to the executors or administrators of the Proposer on production of Probate or Letters of Administration.

Special Restrictive Conditions

The considerations which have influenced the decision as to whether restrictive conditions are to be retained in the policy and, if so, the nature of these restrictions, apply only where the assured is neither incurring any extra risk nor has any prospect or intention of doing so. If we have waived general restrictive conditions we are more likely to need special restrictive conditions to meet the circumstances of extra risk or prospect of extra risk at the date the assurance is effected. The risks to be excluded will not affect the general form of such conditions.

The restriction may be either absolute or operative unless an extra premium is paid, and in the latter case the rate of extra premium may be fixed at the outset or left to be determined by the Company when the risk is incurred. The following are examples of these types of condition—

1. **RESTRICTION ABSOLUTE.** If the Assured shall die during the currency of this assurance from the direct or indirect effects of an accident while taking part in Motor Racing in any capacity whatever, this policy shall be null and void and no payment shall be made in respect thereof.

2. **RESTRICTION UNLESS EXTRA PREMIUM PAID.** If the Assured shall at any time during the currency of this assurance engage in any occupation connected with the sale of alcoholic liquors the Company shall immediately be notified and an extra yearly premium of £..... shall be paid in default of which on the happening of the event on which the sum assured is stated herein to be payable the premiums paid only shall be returned exclusive of premiums for the first year of assurance.

Waiver of Restrictive Conditions

Where the general form of policy contains restrictive conditions, it may be necessary to waive these on the grant of an assurance to a particular life. The waiver may be free or in consideration of an extra premium—

In consideration of the payment of an extra premium of £.....which is included in the premium within written, this assurance is extended to cover the risks arising from the Assured's following his occupation of..... This extra premium shall be removed on the retirement of the Assured from the said occupation.

If the waiver is free—

Notwithstanding anything herein contained to the contrary the within assurance is extended to cover the risks arising from the undertaking by the Assured of flights in aircraft in the capacity of a fare-paying passenger only.

Extra Premium for Special Risk

A risk which is not excluded by any general restrictive conditions may still be made the subject of an extra charge as a condition of acceptance of the proposal. Here we have not to extend the assurance but merely to record that an extra premium has been charged, and to state in what circumstances it will be removed, thus—

An extra premium of £..... for naval service is included in the premium within written but such extra premium shall be removed on the Assured's permanent retirement from such service.

If the special risk arises from the state of health of the assured or from his habits or personal or family history, it is not usual for the extra premium to be removable, and it may not be necessary to record that the premium provided in the schedule includes any extra premium. It should, however, be borne in mind that if extra premiums are to be treated differently from ordinary premiums for the purposes of surrender value or bonus allocation, it will be necessary to record the amount of the extra premium, even though it be not removable, and to provide for its special treatment for the purposes of surrender or bonus calculations.

Contingent Debt or Deduction

A common method of dealing with proposals, especially those for endowment assurance policies, where the lives are found to be impaired or under-average, is to accept them at the normal rate of premium with a special condition that in the event of the death of the assured within certain stated periods, reduced amounts assured will be payable. Reversionary bonuses may be subject to deductions in the same proportions, or may be payable in full, and the special condition on a with-profit policy should deal with this point.

Where there are a large number of policies to be issued subject to these contingent deductions, and the deductions are sometimes

uniform, sometimes reducing in periods, and sometimes reducing yearly, the special condition is added by means of a rubber stamp and the particulars filled in. The following are examples of the impress of such stamps—

Should the death of the Assured occur within the period of years hereunder mentioned the Amount Assured by this Policy shall be reduced as follows—

	Reduced Amount
On death within.....years from.....19....to £.....	
.....years from.....19....to £.....	
.....years from.....19....to £.....	
.....years from.....19....to £.....	

Should the death of the Assured occur within.....years from the.....day of.....19....£.....only shall be payable under this policy and should the death of the assured happen after the expiration of the before-mentioned period the sum payable shall be such reduced amount as aforesaid increased by £.....for each subsequent year entered upon prior to such death until the full amount assured is reached.

Disability Benefits.

The practice of adding disability benefits to life policies is more prevalent in Canada and the United States of America than in this country, one reason being that the combination was not contemplated under the Assurance Companies Act, 1909, and as the law stands it seems doubtful whether it is proper to include in the life assurance fund liabilities for accident benefits. The following clause which relates to the type of benefit mentioned under heading (d) on page 113 will serve as a guide in framing conditions for disability benefits generally.

In consideration of the payment to the company of the sum of £.....in addition to, and at the same time as the first premium for the within assurance, and of the payment of an additional premium of like amount on the dates upon which the subsequent premiums specified in the schedule are payable (but not after the assured attains the age of 60 years), this total and permanent disability clause has been incorporated with the within assurance.

Throughout this clause "totally disabled" shall mean "wholly disabled by bodily injury or disease and so rendered permanently and continuously unable to engage in any work or occupation whatever for remuneration or profit"—

1. If proofs satisfactory to the company be given while this policy is in full force, that the assured has not attained the age of 60 years and that he

has become totally disabled and has been in such condition for at least sixty days, then while the assured is totally disabled and subject to the conditions of paragraph (2) of this clause the company will grant the following benefits—

(a) The company will waive the payment of the premiums in respect of this policy which may fall due after such proof has been furnished. (It is provided, however, that if the assured should be totally disabled within one year from the date of the commencement of the assurance, the company shall be entitled to receive the whole of the first year's premium.)

(b) The company will pay annually in advance commencing immediately upon the furnishing of the proof above-mentioned, an income benefit equal to one-tenth of the sum assured (excluding bonuses or profits) until the sum assured becomes payable by the terms of the policy.

Neither the premiums so waived nor the amount of the income benefit paid shall be deducted from the proceeds of any settlement made under this policy. It is also provided that any premiums so waived shall be deemed to have been actually paid for the purpose of calculating surrender values, loan values, or paid-up policies.

2. The company shall be entitled at any time after the above-mentioned benefits have been entered upon, but not oftener than once a year, to demand proof that the assured continues to be totally disabled, and if proof satisfactory to the company is not furnished when demanded, or if the assured shall have so far recovered as to be able to engage in any work or occupation whatever for remuneration or profit, both the aforesaid benefits shall be immediately withdrawn by the company: that is to say, any premiums which may subsequently fall due shall be payable to the company and the income benefit shall be discontinued forthwith.

3. The interest on any indebtedness under this policy in favour of the company when the benefits herein provided are entered upon shall be deducted from the income benefit.

4. Without prejudice to any other cause of total and permanent disability, if the assured shall suffer the entire and irrevocable loss of the sight of both eyes or the severance of both hands at or above the wrists, or of both feet at or above the ankles, or of one hand and one foot, the company will consider him disabled for the purpose of this clause.

5. If this policy be surrendered for cash or converted into a paid-up assurance, or if the assured attains the age of 60 years, or if the assured shall engage in military or naval service in time of war or in aeronautics in any form, the company's liability under this clause will terminate; further, this clause may be cancelled at any time on the written request of the assured.

6. If any premium shall have fallen due under this policy and shall not have been paid within the days of grace allowed for the payment thereof, the company's liability under this clause will terminate forthwith and shall not be revived, notwithstanding the subsequent reinstatement of the policy, except with the written consent of the Directors.

Other Special Conditions

The foregoing are the special conditions most commonly arising in practice, and will serve to illustrate the manner in which variations from the ordinary form of policy are effected. Other special conditions which may be mentioned are—

1. **DOUBLE BENEFIT FOR FATAL ACCIDENT.** During recent years a large number of life policies have been issued with the condition

that in the event of death arising from accident defined as in a personal accident policy, double the sum assured shall be payable.

2. **INSTALMENT PREMIUMS.** Where the proposer desires to pay premiums half-yearly or quarterly, it is usual to impose an additional charge, which covers the risk of loss of part of the premiums in respect of the current policy year on the happening of the critical event. In some cases, however, it is provided that on the happening of the critical event any unpaid instalments of the premium for the current policy year shall be deducted from the sum assured.

3. **STAFF SCHEMES.** Offices sometimes enter into arrangements to grant policies on special terms and subject to special conditions to the staff of a particular employer. Special conditions are added to the policy giving effect to those parts of the scheme which affect the contract between the company and the proposer.

The framing of special conditions does not usually present much difficulty from a legal standpoint, but calls rather for precision and care in expression. It is necessary to get a perfectly clear conception of what the special condition is intended to effect and to word this intention as simply and precisely as possible. When this has been done, the draft should be carefully examined with reference to all the other provisos and conditions of the policy, because ambiguity is more likely to be created in the interpretation of some other condition by reason of the operation of the special condition than in the interpretation of the special condition itself.

CHAPTER XV

ENDORSEMENTS

THE policy having been issued, there are various circumstances which during its history give rise to the necessity of varying its provisions or terms in some respect. These variations are effected by endorsements on the policy. Some endorsements, such as those modifying or waiving restrictive conditions, are similar to the special conditions discussed in the previous chapter, and it will not be necessary to refer to them here.

Removal of Extra Premium

Where an extra premium has been imposed and is removable in a certain event, we shall on the occurrence of that event require to remove the extra premium and reimpose the restriction. The following is an example of an endorsement removing an extra premium imposed for engaging in the occupation of a licensed victualler—

The Assured having ceased to follow the occupation of Licensed Victualler the extra premium for such risk shall cease to be payable and as from.....
(date) (1) The premium shall be £.....instead of as within written and
(2) the Assurance shall not extend to cover any risks excluded by Condition No.....

Variation of Terms of Contract

Changes in the circumstances or needs of the proposer, or possibly mere preference, give rise to requests that the office will change a policy already in existence into some other form of assurance. It will sometimes be easier to grant a new policy making allowance for the premiums paid on the previous policy, but where the ordinary form of policy has been used, many changes can readily be effected, among which the following may be enumerated—

1. From without profits to with profits.
2. From whole of life assurance to endowment assurance.
3. Reduction of the term of endowment assurance.
4. Reduction of the period during which premiums are payable.

5. Alteration of the dates or frequency of premium payments.
6. Reduction of amount assured and premiums.
7. Making policy paid-up for reduced amount.
8. Adjustment of premium, sum assured, etc., on account of error in age at time of proposal.

Some of these changes may be made either as from the present date or as from the date of the policy. In the latter case there will commonly be arrears of premium to be paid with interest or overpaid premiums to be refunded. The endorsement effecting the change may record the collection of premium arrears and interest, and some offices adopt this practice. This course is not absolutely necessary, and it is on the whole simpler and more convenient, if a premium is increased retrospectively, to allow the payment of arrears to be evidenced by a separate receipt as in the case of other premiums.

A simple method of dealing with all the changes enumerated above and many others of a similar character is to use a rubber stamp with the following impress—

It is hereby declared that as from.....
the within assurance shall be varied as follows—

.....
.....
.....

In all other respects the conditions of this assurance shall remain unaltered.

Signed..... Dated.....

In adding the particulars to this impress the first date will be the present date or the date of issue of the policy, according as the change is prospective only or retrospective as well. In the body of the endorsement each separate item to be changed will be dealt with under a lettered heading—

1. WITHOUT PROFITS TO WITH PROFITS :

- (a) The premium shall be increased from £ to £ .
- (b) The assurance shall participate in profits.

2. WHOLE-LIFE TO ENDOWMENT ASSURANCE :

(a) The premium shall be increased from £ to £ .

(b) The event upon which the sum assured is to be payable shall be the expiry of the full term of years from or the earlier death of the assured instead of the death of the assured.

3. PAID-UP POLICY FOR REDUCED AMOUNT WITHOUT PROFITS :

(a) No further premiums shall be payable except any extra premiums which may become payable under conditions numbered.

(b) The sum assured shall be reduced from £ to £ , this latter amount including all bonuses attaching at the above date.

(c) This assurance shall not hereafter participate in profits.

4. ADJUSTMENT OF ENDOWMENT ASSURANCE MATURING ON A BIRTHDAY ON ACCOUNT OF UNDERSTATEMENT OF AGE IN PROPOSAL :

Prefix the general form with words : " It having been ascertained that at the date of the proposal for this assurance the assured was years next birthday (which is hereby admitted) " and fill in the body of the endorsement :

(a) The premium shall be increased from £ to £

(b) The event upon which the sum assured is to be payable shall be the survival of the Assured to day of 19 , or the earlier death of the Assured instead of as within written.

Memoranda

In addition to variations of the contract it is frequently desirable to record certain matters by endorsement on the policy. These memoranda are very simple and a few examples will be sufficient to indicate the form of these endorsements—

1. CHANGE OF NAME. This may arise by the correction of an error made in the proposal and the correction will usually be supported by a certificate of birth or other evidence. The memorandum would read—

A certificate of birth has been produced to the Company from which it appears that the full and correct name of the within Proposer (or Assured) is.....

A change may arise on marriage, in which case a certificate of marriage will usually be produced and the memorandum will read—

A certificate of the marriage of the within Proposer (or Assured) withhas been produced to the Company.

A change may be effected by a deed poll, and the memorandum will read—

A Deed Poll dated.....has been produced to the Company showing that the name of the within Proposer (or Assured) has been changed to.....

2. DIVORCE. The following is the wording of a memorandum recording divorce and resumption of maiden name—

The within named Proposer (or Assured) having produced to the Company a certified copy of the Original Degree Absolute obtained by her on..... day of.....in the High Court of Justice (Divorce Division) againstand the Proposer (or Assured) having resumed her maiden name.....the within policy shall be construed as if the Proposer were so described therein.

3. ADMISSION OF AGE. Where proof of age is produced during the currency of the policy, we may record simply—

The age of the within Assured is hereby admitted.

CHAPTER XVI

STAMP DUTIES

THE stamp duties applicable to the policies discussed in these chapters are—

Policy of Life Assurance

	Duty <i>s. d.</i>
Where the sum assured does not exceed £10	— 1
Exceeds £10 but does not exceed £25	— 3
Exceeds £25 but does not exceed £500	
For every full sum of £50, and also for any fractional part of £50	— 6
Exceeds £500 but does not exceed £1,000	
For every full sum of £100, and also for any fractional part of £100	1 —
Exceeds £1,000	
For every full sum of £1,000, and also for any fractional part of £1,000	10 —

These duties are applicable to all life policies including whole of life assurances, endowment assurances, double endowments, deferred assurances, and pure endowments.

Where the sum assured varies at different periods of the assurance, the policy will be stamped on the maximum amount. Policies are not stamped in respect of bonus additions.

If the policy contains a condition giving double benefit for fatal accident or other accident benefits, it will be stamped as a life policy in respect of the normal sum assured and in addition will be stamped for the accident policy duty, namely 6d.

Reassurance Guarantee

If the policy of the Principal Office is stamped with British stamp duty—

	Duty <i>s. d.</i>
If under hand	— 6
If under seal	10 —

In other cases the guarantee will be stamped in the same manner as a direct policy.

Copy of Policy

(If attested or in any manner authenticated.)

In the case of a policy chargeable with duty not amounting to one shilling The same duty as such policy.

In any other case s. d.
1 -

Annuity Policy

If the annuity is secured by a single payment duty is chargeable on the amount of the purchase money in accordance with the following scale—

	DUTY s. d.
Where the amount does not exceed £25	
For every £5, and also for every fractional part of £5	- 6
Exceeds £25 and does not exceed £300	
For every £25, and also for every fractional part of £25	2 6
Exceeds £300 and does not exceed £500	
For every £50, and also for any fractional part of £50	5 -
Exceeds £500	
For every £50, and also for any fractional part of £50	10 -

For the lower rates of duty, where the amount of the purchase money does not exceed £500, to be applicable, the instrument evidencing the annuity contract must contain a statement certifying that the transaction thereby effected does not form part of a larger transaction or of a series of transactions in respect of which the amount or value, or the aggregate amount or value, of the consideration exceeds £500. Only transactions taking place between the same parties and at the same time fall to be aggregated.

The foregoing scale of duty is applicable to any annuity policy for which the consideration is a single premium.

Deferred Annuity Policy

If the annuity is to be secured by periodical premiums the duty will be assessed under whichever of the following scales gives the higher result—

Either	Duty
For every £5, and also for every fractional part of £5, of the annuity .	s. d. - 6
Or	
"Life Policy" Stamp Duty based on the cash option.	

Reversionary Annuity Policy

If the annuity is to be secured by periodical premiums the duty will be—

For every £5, and also for every fractional part of £5, of the annuity .	s. d. 2 6
--	--------------

Sinking Fund Policy

	Duty
	s. d.
If under hand	- 6
If under seal	10 -

These policies are stamped as agreements if under hand or as deeds if under seal. These duties may become inapplicable if any variation of the ordinary form of the contract brings the instrument within one of the other definitions in the Stamp Act. For example, if the sum insured were payable in the form of an annuity certain, the policy would probably be required to be stamped as a bond or covenant for the total amount payable.

Annuity Certain

	Duty
	s. d.
For every £100, and also for every fractional part of £100, of the purchase money	2 6

Policy of Assurance Against Issue

If no life risk is involved—

	Duty
	s. d.
If under hand	- 6
If under seal	10 -

Where a life risk is involved the policy will be stamped as a life policy.

All stamp duties must be denoted by impressed stamps, except where the regulations in the Stamp Act expressly provide to the contrary. The only cases among the instruments above-mentioned which may be stamped with adhesive stamps are those treated as agreements, namely, the reassurance guarantee, the sinking fund policy, and issue risk policies if under hand.

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